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[Article by Xu Yi [6079 3015] of the Financial Research Institute of the Ministry of Finance: "Macroeconomic Policy Decisions and Overall Finances"]

[Text] Fiscal Revenue and Expenditure Are Nearly Balanced But Potential Dangers Have Not Been Thoroughly Eliminated

Huge deficits in our national fiscal revenue and expenditure occurred consecutively in 1979 and 1980. The revenue and expenditure for 1981 can be expected to be basically balanced. Market prices are basically stable and the economic situation is quite fine. However, we must also note that the potential dangers have not yet been thoroughly eliminated and our financial problems have not been thoroughly solved. Many factors affect the balance of fiscal revenue and expenditure. The following ones must be viewed with special attention.

First, the growth in consumption funds has been out of control. Over the past several years, employment has expanded, wages have been raised, bonuses have been distributed, the state purchase prices of agricultural and sideline products have been raised, and so on. Thus the livelihood of the people in both urban and rural areas has been rather substantially improved. However, some problems have occurred in the actual implementation of these measures. For example, the basic quantities of agricultural products purchased have been reduced; price increases, the adoption of negotiated prices and so on have been practiced on an increased scale; and the distribution of bonuses to workers has also been out of control. In these circumstances, some comrades, with good intentions, still advocate a continued rise in the state purchase prices of agricultural products. Their reason is that such price increases can mobilize enthusiasm in the development of agricultural production. At present, everybody acknowledges the very good situation in agricultural production, which is developing vigorously. To readjust the purchase prices of agricultural and sideline products, to purchase these products in excessive quantities, to raise their prices and to purchase them according to negotiated prices constitute only a few of the many ways of mobilizing enthusiasm. We should also recognize that correcting the mistake of giving arbitrary and impracticable directions and instituting responsibility systems so that production relations become compatible with the level of development of the productive forces constitute the basic motive force of agricultural development, and we must not exaggerate the role of the law of value. Another reason for some comrades advocating continually raising the purchase prices of agricultural products is that allegedly, this can help eliminate the scissors difference between the prices of industrial products and agricultural products. According to some, judging from a historical comparison of the prices of industrial products and agricultural products, the scissors difference has been reduced or even brought under control. However, labor productivity grows rapidly in industry but slowly in agriculture and thus, there is a so-called "relative scissors difference." Allegedly, to eliminate this difference, some 20 billion yuan out of our fiscal funds must be given to the peasants, and with the rate of growth in labor productivity in industry exceeding that in agriculture in the future, we will have to continue to raise the prices of agricultural products. However, the difference in labor productivity is only one of the many differences between industry and agriculture. It is impracticable to enable the peasants to enjoy the same living standard as the workers by readjusting prices to make up for this difference. Some people also think that in the past, we overly neglected the improvement of the peasants' livelihood. They feel that the price increases so far have been inadequate and they want to further improve the peasants' standard of living. Of course, we should improve their standard of living. However, the level of development of our industrial and agricultural productive forces is not high. Though we must improve living standards, we must also carry out construction. We must not proceed from immediate interests alone or only intend to adopt a policy of benevolence. We must implement the principle of giving due consideration to both livelihood and production, and unifying immediate interests and long-term interests. The purchase prices of agricultural products must be raised in a planned way and according to our available national resources, and not blindly and without consideration of capabilities.

Concerning the question of bonuses, we must pay attention to the following tendency. In distributing bonuses, people do not proceed from the correct implementation of the principle of distribution according to work done. Material benefits have been overly stressed and the people have not been led, by means of appropriate remuneration for work done, to develop the range and quality of production. The people are not led to focus their attention on the lofty goals of socialism and communism, but to focus their attention on "money" alone. Therefore, although in some cases the distribution of bonuses can help mobilize enthusiasm. In those units in which bonuses are not appropriately distributed, people's enthusiasm has not been satisfactorily mobilized, and the enthusiasm of some people has even been dampened. Generally, every enterprise wants to keep up with other enterprises by not failing to distribute bonuses and by distributing as much as others do, without caring about its own level of profits or caring about whether it is making a profit or incurring a loss. Some enterprises even take uncrupulous measures, violate law and discipline, and practice fraud. Some even provide goods such as electric fans, washing machines, television sets and so on to their staff and workers to enhance their welfare. Because the relative prices of various products are not rational, some enterprises earn unreasonably high profits because of unreasonable prices. However, they think their profits are earned on their own merits. Therefore, they want to retain a larger amount of profits and to distribute larger bonuses. However, those enterprises which produce low-priced and less lucrative products want to keep up with them. Consequently, the distribution of bonuses gets out of control and becomes excessive. It should be pointed out that if the growth in consumption funds is not in accordance with the growth in production and in labor productivity, the growth in distributed consumption funds will exceed the growth in national income. If this situation persists, consumption will get out of control, with the grave consequence that economic development will be impeded. Therefore, we must control the growth in consumption so that the level of consumption is compatible with the level of growth in production and national income. This is a major matter related to the stabilization of our economy, commodity prices and the standard of living.

Second, although production has been growing, our state's revenue has not increased correspondingly. Our national economic readjustment over the past several years has been fruitful. Light industrial production has grown and heavy industry has temporarily remained stagnant or even declined. From 1977 to 1980, the value of new industrial fixed assets amounted to 102.2 billion yuan. The growth in the total value of industrial output was 14.3 percent in 1977, 13.5 percent in 1978, 8.5 percent in 1979 and 8.7 percent in 1980. The estimated growth for 1981 is only 3 percent. A breakdown shows that the growth in the value of light industrial output was 14.3 percent in 1977, 10.8 percent in 1978, 9.6 percent in 1979, 18.4 percent in 1980 and an estimated 12 percent in 1981. The growth in the value of heavy industrial output was 14.3 percent in 1977, 15.6 percent in 1978, 7.7 percent in 1979, and 1.4 percent in 1980. The value of heavy industrial output for 1981 is estimated to have dropped by 5 percent. However, some new problems have appeared in the readjustment, the main one being that although output values has increased, the enterprises' incomes have fallen year after year, by 19 percent in 1979, 6.2 percent in 1980 and 11.7 percent in 1981. Both the number of enterprises which have incurred losses and the industrial sectors in which enterprises have incurred losses have increased.

According to commonsense, when light industry is boosted, the economic benefits should be substantial. Why can light industry not make up for the loss caused by the decline in heavy industry? A problem is that enterprises have rushed headlong into mass action. Their organizational structure has remained unchanged. Each of them does things in its own ways. They are small and complete. There is duplication in production and construction. Technologically, they are not up to standard. Therefore, although production has developed, their income has not correspondingly increased. Newly built factories in the light industrial sector have not taken the path of coordination among specialized factories. They produce products in small quantities at high costs. Consider the manufacture of bicycles. The number of bicycle factories in our country has increased from a new score to more than 200 at present. According to a statistical survey of 51 factories, there are 24 large or old factories which produce bicycles at a unit cost of less than 100 yuan. They are making a profit. For 27 other factories, the unit cost exceeds 100 yuan. Of these, 24 are losing money. The unit cost of Xianjiang brand from Hengyang is 142 yuan; that of Huang-an brand from Hubei, 140 yuan; that of Deer brand from Fuzhou, 162 yuan; that of Flying crane brand from Jinan, 166.4 yuan; that of Flying Eagle brand from Henan, 160 yuan; and that of the product from Nei

Monggol, 230 yuan. At present, each enterprise does things in its own way. There is no organization or integration and the result is very poor. Another problem is that there have been increases in the prices of agricultural products and heavy industrial products which serve as materials and raw materials for light industry and the textile industry. Moreover, some of these products have been priced through coordination or negotiation. Consequently, production costs have risen. The third problem is that some enterprises obtain a higher income by means other than increasing output and sales revenue. In retaining profits, they sometimes take the previous year's figure as the basis on which they calculate the percentage of profits to be retained, but sometimes resort to a constant proportion. They sometimes take a certain percentage of the total profits as the retained profits, but sometimes base their calculation of retained profits on the increase in total profits as the retained profits, but sometimes base their calculation of retained profits on the increase in total profits; and if they find that the calculation of retained profits on the basis of the increase in total profits does not yield the desired result, they will again resort to a given percentage of the total profits. In short, they adopt whichever method is to their advantage. They do not devote their efforts to improving management and operations or lowering costs. The goal of the reform of systems is not attained. The profits turned over to the state have decreased though the realized profits have increased. This shows that assuming responsibility for task completion cannot replace the reorganization of enterprises. The enterprises must really strive to improve management and operations and do a good job of economic accounting. If the enterprises' interests are not acknowledged, they will lack enthusiasm. However, when their interests are realized, they will do their utmost to extend their own interests. Therefore, there must be supervision, restrictions and macroeconomic control. The enterprises' finance and economic responsibility systems must be continuously perfected. Only thus can enthusiasm be brought in line with planning, so that there will be a rich source of state revenue.

Third, fiscal revenue as a percentage of national income has been decreasing. National income has been rising year after year, but fiscal revenue has been steadily decreasing over the last several years. The growth in national income was 33 billion yuan in 1979 and 28 billion yuan in 1980, but fiscal revenue decreased by 1.8 billion yuan in 1979 compared with 1978, and by 3.9 billion yuan in 1980 compared with 1979. In the future, fiscal revenue may continue to drop. We should pay great attention to this.

Moreover, administrative organizations are unwieldy and over-lapping and thus it is impossible to reduce administrative expenses. Such undertakings as education, the enhancement of culture, medical and health services, scientific research and so on should be developed. However, in increasing expenditure, we should consider our available national financial resources. If our expenditure surpasses what is warranted by our available resources, and if we continue to keep up the high expenditure with arduous effort, then our economic construction will inevitably be affected. When we borrow loans from other countries, we must repay the principal with interest. The reform of our financial system has put an end to "centralized collection of revenue," but the "assumption of sole responsibility for expenditure by the state" has not been completely brought to an end. The impetus for the growth in fiscal expenditure is still great. The rate of development of production is limited by the loss of control over the growth in consumption funds in the primary distribution of national income, and by the shortage in energy resources and communications facilities. Moreover, various categories of price subsidies take up a substantial proportion of our fiscal revenue and thus fiscal revenue cannot be increased and can hardly meet the needs of increased expenditure. Precisely because of these reasons, the potential dangers have not been completely eliminated even though at present the fiscal revenue and expenditure are nearly balanced. We must clearly understand this.

Under the Guidance of Correct Macroeconomic Policies, Do a Good Job of Financing Output, Practicing Economy and Practicing Overall Financial Distribution, and Bring About a Benign Cycle in the National Economy

We must solve the financial difficulties. In doing so, we must not only focus our attention on the budgetary funds, which amount to 100 billion yuan. We must also pay attention to the funds possessed by the enterprises themselves and to the funds at the disposal of local authorities. These extra-budgetary funds were quite small in the past, but now they have reached 50 billion yuan. Therefore, in satisfactorily doing our overall financial work, we must conscientiously study the distribution of national income in the first place, and then the distribution of budgetary funds, and finally the distribution of extra-budgetary funds. Currently, there is an erroneous conception that the distribution of national income and of extra-budgetary funds does not belong to the realm of financial distribution and is outside the jurisdiction of the financial authorities. Actually, if we do not care about whether the distribution of national income or extra-budgetary funds is rational, then it will be very difficult to achieve a rational distribution of budgetary funds. Therefore, when we study ways to tap sources of funds, to collect funds and to use them, and when we study the distribution structure and the formulation of policies concerning distribution, our goal must be the achievement of an overall equilibrium that embraces the primary distribution of national income, the distribution of budgetary funds and the distribution of extra-budgetary funds. Achieving this equilibrium is the task of our overall financial work. We cannot solve the problems if we study budgetary funds in isolation.

We must ensure that the use of all the funds in our country, including both budgetary funds and extra-budgetary funds, must proceed from the overall situation of our national economy. We must formulate our policies concerning the distribution of funds and determine the orientation of the use of funds in the light of macroeconomic strategy. Macroeconomic policy formulation involves two aspects. The first is to consider whether the productive forces can develop, and this depends on whether production is carried out according to appropriate proportions. The second is to correctly plan the systems of distribution so as to mobilize the enthusiasm of the localities, the departments, the enterprises and the workers; and this is the basis for the development of production. In order to do a good job of overall financial planning, we must integrate these two aspects. Currently, we must pay attention to the several tasks outlined below.

First, we must do a good job of increasing output and practicing economy. This is the basic way out in solving our financial difficulties. We must vigorously develop light industry and the textile industry. This is a policy decided upon by the CCP Central Committee. Moreover, we must satisfactorily grasp the change in the orientation of service of heavy industry, so that heavy industry will change over to serving agriculture, light industry and the market, or, to serving the rationalization of our economic structure, the composition of our products and our organizational structure. This is the basic way to achieve the greatest economic result.

Second, we must formulate appropriate economic policies concerning technology, and do a good job of technological transformation which is centered round economizing on the use of energy resources. The state must devote its main efforts to top-priority industrial projects such as those in connection with coal, electric power, oil and transportation. Existing enterprises should devote their efforts mainly to technological transformation. Plans concerning transformation should be well formulated on the basis of individual industries.

Third, we must formulate correct policies concerning export and import. At present, we import various kinds of steel plates, steel products, machinery and equipment which we can manufacture domestically. This will inevitably impair our national industries. At the same time, the losses due to the export of those commodities sold at high rates of losses have continued to increase. In external trade, we earned money in the past, but now we incur losses. We must study how to control this situation and determine the extent of losses which should bar a product from being exported. Our business transactions are for earning money and obtaining through exchange those material resources which are necessary for our construction. Of course, it is necessary to incur some losses. The acquisition of foreign exchange must be advantageous to our country's construction. We must not try to acquire foreign exchange for the sake of acquiring foreign exchange. Each of our units must not act in its own way, disregarding the costs of obtaining foreign exchange. In this respect, we must follow the principle of safeguarding our country's financial resources. We must strengthen the unified nature of our foreign trade policies and safeguard our national wealth, so that our resources will not be used to benefit other countries.

Fourth, we must rectify the enterprises' financial work and tap their potential. The basic economic accounting work of the enterprises was weakened, and even now, has not been completely restored. If accounting and auditing systems are not sound, if systems of personal responsibility are not instituted, and if quotas are unreasonable, then various undesirable phenomena such as incurring losses, fraud, funds trickling away and omissions in accounting work will inevitably occur. To deal with this situation, we must vigorously grasp reorganization, proceed from basic work such as calculation, fixing the number of staff members, fixing quotas and so on, and establish a sound economic accounting system. Moreover, we must strengthen the cost management and do a good job of cost accounting, cost analysis and cost forecasting. On this basis, we must raise the standards of managing and operating enterprises, raise efficiency in production, lower production costs, speed up the circulation of funds, and improve economic effect. Only thus will we be able to really tap potentials and attain the goal of increasing output. If such work is satisfactorily done, it will be completely possible to increase profits by several billion yuan a year.

Fifth, we must reasonably readjust prices and vigorously reform our taxation system. Unreasonable prices and relative prices will affect the normal production and circulation of commodities, and will also affect enthusiasm. The readjustment of prices and the reform of the pricing system will certainly be carried out. The coincidence of price and value is a Marxist principle embodying a high degree of abstraction. In the case of a specific product, such coincidence is impossible and price will certainly deviate from value. Taxation must be used as a lever for readjustment if, as required by policies, prices must be set at a high level to yield high profits or set at a low level to yield low profits. Therefore, taxation must be closely integrated with pricing policies, so as to help regulate the interests of various parties concerned and to help mobilize the enthusiasm of various parties. At present, in taxation, the undesirable phenomena of incurring losses, fraud, trickling away of revenue from total possible revenue and omissions in the form of tax evasion, have also reached grave proportions. If we satisfactorily grasp taxation, our revenue can also increase by several billion yuan. Therefore, we must both vigorously grasp the reform of the taxation system and strengthen the management of taxation.

The above are ways to increase output, practice economy, increase revenue and tap sources of revenue. However, as pointed out above, at present there are still financial difficulties and also many sorts of requirements. Therefore, in order to accumulate funds, we must conscientiously study what percentage of the national income should go to the state. This is a very important question, because if the state is to ensure that reasonable needs arising from the readjustment of economic structure are satisfied and to ensure that social productive forces are rationally allocated, it must undertake investment in major construction projects. Moreover, the planned and proportionate development of the national economy certainly does not merely imply the proportionate development of the production structure. The realm of circulation must also develop according to appropriate proportions. Service trades, cultural undertakings, education, medical and health services and scientific research must also correspondingly develop. The modernization of national defense must also be achieved. Therefore, the question of the composition of investment arises. Only if the proportions of investment are well planned, can the structure of our national economy become rational and can our national economic development be unimpeded.

In order to satisfactorily handle our overall finances, we must pay attention to the distribution and management of extra-budgetary funds. This is an integral part of the distribution and management of fiscal funds, a form of management based on various levels, and a method of centralized leadership and management on the basis of various levels. We lack relevant experience in this respect. During the 1st Five-Year Plan period, the amount of extra-budgetary funds was very small. During the 2d Five-Year Plan period, no one paid attention to management. During the 3-year period of readjustment, centralized management was stressed and the amount of extra-budgetary funds was even smaller. After 1967, depreciation funds were transferred to lower levels and extra-budgetary funds amounted to over 10 billion yuan. At present, with the implementation of decentralization, there is an even larger amount of extra-budgetary funds. For some localities, the amount of extra-budgetary funds. For some localities, the amount of extra-budgetary funds has exceeded that of budgetary funds. Decentralization has helped mobilize enthusiasm. This is good. However, our work has not kept pace with the developments. There is a lack of planning concerning, and guidance over, the use of funds, which has not produced a satisfactory result.

There are different views on how the extra-budgetary funds should be managed. Some people think that with the method of responsibility for task completion being applied to the enterprises and various institutions, funds are transferred to lower levels and financial work is no longer under state control. Moreover, there is a theory of the demise of state control over finances. These views are incorrect. We practice the socialist planned economic system. The enterprises can only enjoy the status of relatively independent management and operations agents. We must clearly understand this issue and must not mistake relative independence for absolute independence and negate management by the state. Our financial authorities are the agencies responsible for overall management of the distribution and redistribution of national income. Distribution that is carried out by means of various economic levers must be subject to overall balance and must be under the constraints of the magnitude of national income and the distribution of funds. The current problem is strengthening macroeconomic control. Under the prerequisite of not changing the ownership of extra-budgetary funds, we must provide guidance over the orientation of the use of funds, organize and raise social funds, and use our limited amount of funds to satisfy the mout urgent needs, so as to improve the result of the use of funds and to achieve overall balance in the distribution of funds.

Though the Raising and Use of Social Funds are Necessary, We Must Adopt Appropriate Forms and Pay Attention to the Quantitative Limits Governing the Use of Funds

Correctly raising and using social funds is objectively necessary, under the new situation, for the technological transformation of our national economy. If the funds are appropriately used, economic development can be coordinated and economic effect can be improved.

Some people hold that because at present, our financial authorities are in need of funds and the banks have an enormous sum of deposits, we should fully make use of the lever of bank loans to raise social funds. I think the current problem is not whether sufficient funds are available. We now suffer from a secere shortage of fiscal funds. However, the total investment in fixed assets amounts to 62 billion yuan a year, surpassing even the total investment of 55 billion yuan for the 5 years of the 1st Five-Year Plan period. The problem is that the funds are used in many diverse ways, all kinds of industries are developed, and all of the 400,000 enterprises go ahead with their expansion and thus a shortage of funds and material resources develops. Therefore, the problem is how to formulate plans in a unified way, to raise funds in a unified way and to use the funds, without weakening the enterprises' decision-making power or ownership power. In this light, we must resort to both bank loans and national debts. In the raising and use of social funds, these two forms of credit exhibit different characteristics. When banks accept deposits, they must adhere to the principle of voluntary action. The issuing of bonds by the state displays the characteristic of the integration of distributive targets with voluntary purchase, and also the characteristic of a change in the rights of use under the condition that ownership remains unchanged. Bank deposits, including even fixed deposits, can be freely withdrawn, and thus this source of funds is not very stable. Such funds can be appropriately used as circulating funds and loans for short-term circulation. However, the dates for the repayment of funds raised in the form of national debt are fixed. Such funds cannot be freely withdrawn. They remain stable within a certain time period and can be used for capital construction. Therefore, we must not only stress bank loans, but must also exploit various forms of national debt such as treasury bills and government bonds, and we may also consider investment trust companies. That is, by temporarily changing the right to use funds, we can organize technological transformation in a planned way and step by step.

We must conscientiously study the appropriate quantitative limits of social funds that are to be used for construction. At the end of 1980, the cumulative balance of the urban and rural residents' savings deposits was 39.9 billion yuan. The figure for 1981 will be found to have increased. Some people think that about one-third to half of the total amount of savings deposits can be used to create loans to finance investment. However, there is a limit to the extent to which the residents' savings can be used as loans to finance investment: This use of the savings must not cause inflation or credit expansion. If the growth in the residents' savings is backed by available material resources, that is, if the savings are due to prosperity in the people's life, then the savings can be used to finance construction. However, at present, viewed in the social context, the growth in the savings deposits mainly arises from the difference between the people's purchasing power and the value of the available supply of commodities. The savings can merely be used to offset this difference and to stabilize commodity prices. If the savings are used to finance construction, the increased expenditure in society will not be backed by a real supply of goods. Therefore, an appropriate amount of loans can be provided for financing investment only when there are surplus funds left after the need for circulating funds has been satisfied by the use of loan funds.

Considering the question of whether the enterprises' deposits can be used to finance capital construction, we must in the first place clearly know that the enterprises' deposits and extrabudgetary funds are two different concepts. Most extra-budgetary funds are deposited, withdrawn and spent within the same year. The balance at the end of the year is a small sum. Examples are funds for making alterations, major repairs, afforestation, the maintenance of oilfields and roads, and so on. Therefore, in handling extra-budgetary funds, we must mainly align the orientation of their use with the interests of our national economy, and must not use them as a source of loans for financing investment. As to the enterprises' deposits, we must specifically analyze the composition of such deposits, though they add up to a large amount. These deposits include: The balance of the funds allotted to construction units, this balance existing before accounts are settled and representing money to be paid; the enterprises' circulating funds, that is, current funds; the cumulative balance, accruing over the years, of the enterprises' funds; and the deposits of various units under the system of collective ownership. These deposits are to be used in various specific ways. The enterprises and construction units can use them at any time. These funds are "temporarily not circulated" in the course of their being used. These deposits must be used to pay for goods and materials that are delivered to the enterprises and construction units. When those departments or sectors which supply or produce these goods and materials obtain these funds, they must use these funds to repay bank loans. Thus, a process of funds circulation occurs. The movement of material resources and the movement of funds are unified. The funds must not be distributed as if they were available for use before exchange takes place. If these deposits are used to finance capital construction, then, this will amount to creating funds out of nothing. The funds thus loaned will become another sum of credit funds that can be used to pay for material resources. However, such credit funds are not warranted by available material resources. The inevitable result is what people liken to "a woman being married to two men." Production and construction will consequently get into an abnormal state.

Precisely because of this, we must pay attention to the quantitative limits governing the use of social funds, whether we resort to bank loans or national debts. To appropriately and carefully use social funds within certain objectively permitted quantitative limits is advantageous to enlivening the economy. However, if the use of such funds surpasses the limits defined by practical feasibility, then the unified balance of finances, credits material resources and foreign exchange will inevitably be disrupted.

Make Available Financial and Material Resources in a Planned Way and Step by Step; Carry Out the Technological Transformation of Our National Economy, with Key Emphasis on Economizing in the Use of Energy Resources; and Promote the Rationalization of Our Economic Structure

The strengthening of overall financial work and the raising of social funds both involve the question of the orientation in the use of funds. If funds are used in a correct orientation, the national economy can gradually be guided into a benignant cycle. If the orientation is inappropriate, a thorough improvement of our national economy will be delayed. Whether the orientation of the use of funds is correct cannot be reflected in microeconomic benefits alone. We must also pay attention to macroeconomic benefits and resort to overall planning.

The slow growth in the production of energy resources in our country limits the rate of growth of industrial production. This is one important reason why heavy industry remains stagnant. Because the consumption of energy resources is economous, the basic way to end the situation of a shortage of energy resources is to carry out technological transformation which is centered round economizing in the use of energy resources. At present, our country produces 100 million tons of crude oil a year, 40 percent of which, or 40 million tons, are burned as fuel. This is a tremendous waste. If those sorts of equipment which use oil as a fuel are gradually transformed so that they use coal instead, and if the oil thus saved is used for export to obtain foreign exchange or used to develop the petrochemical industry, then considerable economic results can be achieved. As to the consumption of coal, consider the power industry as an example. At present, the medium-voltage and low-voltage generating plants in our country have a total generating capacity of 120 million kilowatts. Their coal consumption is at a high level, reaching 520 to 550 grams of standard coal per kilowatt-hour, a figure which is nearly double the figure of 380 grams of standard coal per kilowatt-hour for high-efficiency generating sets. Every year, their coal consumption exceeds that of high-efficiency generating sets by 19 million tons, a quantity sufficient to provide fuel for generating plants with a capacity of 5 million kilowatts, or to generate 25 billion kilowatt-hours of electric power. These 25 billion kilowatt-hours of electric power is the amount of power needed in producing an amount of industrial output worth 50 billion yuan. If the tax revenue from profits is assumed to be 20 percent of the value of this output, our fiscal revenue will be able to increase by 10 billion yuan. Similarly, there is a great potential for economizing on the use of coal by the 200,000 boilers which are used by the people and in civil industries. Some 80,000 of these boilers are old models. For example, the British-made Lancashire brand boilers consume very large quantities of coal. If the boilers used by the people and the scattered furnaces (which are used for heating and which consume coal) are transformed, so that they can be used to generate heat or electricity in a centralized way, then it will be possible to save 20 million tons of coal annually. If this is put into practice, the machine-building industry will also have a larger amount of work to do. At present, steel products and steel plates for making boilers are overstocked. The production capacity of factories producing boilers, generators or steam turbines is not fully utilized. Good planning will play a positive role in vitalizing the machine-building industry and changing the face of our national economy in terms of technology and equipment.

A full-scale technological transformation, to take place throughout the whole national economy, is also inevitable. In many of our factories, the technological equipment has already become obsolete. The Changchun car factory, which was built during the 1st Five-Year Plan period, is now 25 years old. The equipment in the Qiujiang machine tool factory in Shanghai, which produces numerical-control precision machine tools, has already been used for more than 20 years. The quality of the precision machine tools produced by this factory cannot be guaranteed. This factory must certainly undergo transformation. Why can we only produce old models which remain unchanged for several decades? Why can we not produce new models and new varieties of products? This is related to our failure to grasp technological transformation. Of course, we must analyze the technological transformation of our national economy in historical perspective. During the 1st Five-Year Plan period, the value of fixed assets in light industry amounted to only 10.4 billion yuan, and the old factories in light industry did undergo transformation. However, the foundation of heavy industry was weak. There were no car or aircraft factories. Many factories had to be newly built. Technological transformation in heavy industry was out of the question. However, our problem is that, after going through the 2d, 3d, 4th and 5th Five-Year Plan periods, we are still building new factories year after year, and we only tap the potentials of old factories without grasping the technological transformation of our national economy. This has hindered technological progress.

One problem affecting the technological transformation of our national economy is the problem of funds. However, this is not the basic problem. From 1976, when we began to transfer depreciation funds to the enterprises to be used at their disposal, until the end of 1979, the depreciation funds transferred amounted to more than 177 billion yuan. If the value of fixed industrial assets is taken to be some 300 billion yuan or more, at least half of the assets should have been transformed. We should have transformed long ago those categories of equipment which people often describe as belonging to the times of the Empress Dowager, Emperor Guangxu, Li Hongzhang and Zhang Zhidong. However, the technological transformation of our national economy has not been satisfactorily carried out. The reason is that the depreciation funds have been used for new capital construction rather than for technological transformation. At present, the individual grassroots enterprise is the basic unit where technological transformation takes place. Each of the 400,000 enterprises acts in its own way. According to a general survey in 1978, the number of projects involving tapping potentials, innovation and transformation was 39,000 at that time. The number is now 47,000. The front is very extensive. Considering funds, some enterprises have more than enough, but some others lack funds. Old factories lack funds, but new factories cannot use up all their funds because they have only recently gone into operation. The funds are scattered among tens of thousands of enterprises. They cannot be used in an organized way or reallocated. Transformation cannot be carried out in a planned way and everybody is in a difficult situation.

At present, the depreciation funds withdrawn annually by the enterprises amount to around 20 billion yuan. In addition, the enterprises' retained profits and production development funds amount to over 26 billion yuan annually. Thus, there are sufficient funds for us to completely renew and transform all our enterprises in a decade or so if the present value of fixed industrial assets is taken as the basis for calculation. The problem is that we must formulate economic policies concerning appropriate technology for various industries and trades, as well as plans for reform that are appropriate for various industries and trades. We must clearly know which industries and which enterprises have surplus funds because transformation is not yet necessary for them, and which industries and enterprises urgently need to undergo transformation and therefore lack funds. We must thus determine the objects of mobilization and fund reallocation. Under the precondition of not changing the right to own funds, we must control in suitable ways the right of those enterprises with surplus funds to use their funds for payment. That is, we must tap those funds which temporarily are not needed, by adopting the method of raising national debts, such as by issuing bonds or forming investment trusts. We can then transfer the funds to those industries and enterprises which urgently need to undergo transformation. Thus, we can carry out technological transformation in a planned way, attaining our goal of macroeconomic control; and we can also arouse and safeguard the enthusiasm of the localities, departments and enterprises. Thus, although decentralization is practiced, disorganization can be avoided. This will be conducive to guide the mobilized enthusiasm onto the track of planning.

Similar problems occur in capital construction investment management. Although the capital construction front has been repeatedly reduced, the problem of loss of control has not been completely solved. The capital construction projects that affect the overall situation of the national economy, such as the building of railways, power stations, mines and so on. However, the number of those projects which are not important to the overall situation of our national economy has not been reduced. The scale of capital construction is reduced, but it is again expanded in the name of implementing measures. Projects that are included in the state's plans have been abandoned, but they again started through the raising of funds of the acquisition of loans, outside the control of state plans. At present, the number of projects costing over 1 million yuan is 572. Out of 1,500 projects that should be discontinued and cleared, 706 are still under construction. Considering investment in fixed assets, the total investment in construction reached as much as 62 billion yuan in 1981. However, very little money was spent on those projects the building of which is most urgent, such as coal mines, power stations, oilfields, transportation facilities and so on. At present, not only are the number of projects and the scale of construction out of control. Even planning and design are also out of control. People do not write manuals on planned tasks and do not study feasibility. They rashly start projects, guided by their whims. Examples of the consequence are: When a pier has been built, the railway that is to be used in conjunction with it is still being planned; when a power plant has been built, the coal mine and transport facilities that are to serve it have not yet been planned. Thus, many finished projects remain useless. Therefore, although the availability of funds is a problem in our current capital construction, how to use the limited funds to satisfy the most urgent needs and to bring about a benigh cycle in our national economy is an even more important problem that must be conscientiously studied and solved. If this latter problem is not satisfactorily solved, funds will not be effectively used, or there may even be the phenomenon: Where the larger the amount of available funds the greater are the obstacles to the readjustment of structure and proportions.

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REPORT ON GANSU GOVERNMENT WORK AT PEOPLE'S CONGRESS

Lanzhou GANSU RIBAO in Chinese 7 Jan 82 pp 2-3

[Report on government work by Li Dengying [2621 4098 3467], governor of Gansu Province, at the Fourth Session of the Fifth Gansu Provincial People's Congress on 28 December 1981: "On the Present Economic Situation in the Province and Its Main Economic Tasks for the Next Year"]

[Text] Fellow Deputies:

Exactly 1 year has passed since the Third Session of the Fifth Provincial People's Congress on national economic planning, agricultural production, financial receipts and expenditures, social order, environmental protection and market control. In accordance with the spirit of the Fourth Session of the Fifth National People's Congress which has just adjourned and the 10 principles approved by the session for future economic construction, I am going to report on the economic situation in the province during the past year and the economic tasks in 1982 for your deliberation and examination.

New Achievements in National Economic Readjustment

In 1981, under the leadership of the Party Central Committee and the State Council, we have conscientiously implemented the principle of further economic readjustment and political stability. Thanks to the common efforts of the people's governments at all levels and the people of various nationalities in the province, we have won new achievement in various aspects of the national economic readjustment and basically accomplished the task of stabilizing the economy. The situation is now developing in a favorable direction. We can anticipate a basic fulfillment of the plan for our total industrial and agricultural output value, while a basic balance has been maintained between revenues and expenditures. We have also made progress in readjustment and restructuring, brought prosperity to the market in both urban and rural areas, preserved a basically stable social order, and improved people's livelihood to a certain extent.

Gratifying changes have taken place in the countryside. In the past year, we continued to implement the whole set of principles and policies of the Third Plenary Session of the 11th Party Central Committee concerning agricultural development, actively and steadily carried out and improved the system of responsibility for production in various forms, and conscientiously implemented the policy of simultaneous development of agriculture and animal husbandry, sideline production and fishery, with particular attention to each of them according to local conditions" adopted at the Third Session of the Fifth Provincial People's Congress. We have gradually readjusted the pattern of agricultural production, and the economic layout of agriculture has gradually become rational. Now, there is a new phenomenon of all-round development of agricultural, forestry, animal husbandry, and sideline production and fishery in the countryside.

This year, although we have had serious natural disasters of drought and floods such as have rarely been seen since the founding of the People's Republic, the great might of the party's policies and the great efforts of the broad masses of cadres and commune members in the countryside as well as the strong support of the Party Central Committee and the State Council have greatly reduced or remedied the losses. Except for grain and the oil-bearing crops, we have had fairly good harvests of cash crops. The total agricultural output value is expected to be 2.4 billion yuan, an increase of 0.8 percent over last year's. The estimated total grain output is 8.7 billion jin, and that of oil-bearing crops is 1.9 million dan, both approximately 10 percent below those of last year. The total output of beetroots is expected to be more than 2 million dan, an increase of approximately 60 percent over last year's; that of cotton will be more than 61,900 dan, a 15.7 percent increase over last year's; and that of cured tobacco will be 37,000 dan, approximately 6 times that of last year. The total output value of economic diversification in the province is estimated to be 1.104 billion yuan, a 15 percent increase over that of last year. There has been fairly rapid development in animal husbandry and forestry. The number of draft animals in the province this year has exceeded 4.01 million head, an increase of 2.3 percent over last year; and that of sheep, more than 12 million, an increase of 2.6 percent over last year. The proportion of slaughtered hogs was raised from 58 percent last year to 62 percent this year. Afforestation is expected to be completed over 960,000 mu of land, an increase of more than 100,000 mu over last year. Engineering work of high quality for the supply of drinking water for people and cattle in the countryside has made rapid progress and shown remarkable results. More than 6,700 water pools were sunk--a 30.5 percent increase over last year--to solve the problem of drinking water for nearly 180,000 persons and 70,000 head of cattle. Commune members' income has also been increased. According to on-the-spot investigations of 360 households in 12 counties, the average net income from household sideline production for each person amounts to 50 yuan, an increase of approximately 20 percent over last year's. By the end of October, the savings deposits of commune members totaled 159.83 million yuan, a 42 percent increase over the same period last year. Purchasing power in the countryside has markedly increased, resulting in improved food, clothing, housing and other daily life supplies for the people. From January to October, the amout of means of subsistence sold in the countryside totaled 617 million yuan, an increase of 3.7 percent over the same period last year. The huge sales of garments, radio sets and various kinds of wines in the countryside were such as have rarely been seen in the history of the province. The countryside throughout the province is now full of vitality, and the broad masses of people are profuse in their praise of the party's policies and full of confidence in promoting production next year. They have taken active measures to increase their farm machines and tools, cattle and fine strains; avidly bought chemical fertilizers and accumulated manure; combined their efforts to build terraced fields and consolidate the sandy land and to learn the advanced techniques of production in order to improve the production conditions and to create more wealth. Thus, even the people in places visited by serious natural disaster are now enjoying a fairly stable life.

Implementation of the eight-character policy is being continued on the industrial-transportation front. Great efforts have been made to overcome various difficulties resulting from insufficient tasks for some enterprises, the shortage of raw and semifinished materials and the heavy strain on railway transport; and, according to our estimate, the various production plans can be fulfilled or nearly fulfilled. Industrial readjustment has made new progress. There has been a sustained growth in the light and textile industries, while the internal structures and service orientation of heavy industry have begun to change. From January to October, the total output values of the light and textile industries totaled 1.534 billion yuan, a 5.0 percent increase over the same period last year, including a 17.4 percent increase for the textile trades directly under the provincial light industry bureau. The ratio of light industrial output value to the total industrial output value in the province rose from 21.75 percent last year to 24 percent this year. For some enterprises with no assurance of raw material supply, producing unmarketable goods and incurring losses for a long time, we have continued to carry out "closing, suspending, merging and retooling." Among the enterprises owned by the whole people at or above the county level, 39 have been closed or suspended, while another 16 have been merged or retooled. Most of the retooled enterprises are now engaged in light industrial production. The machinery industry, national defense industry and electronic industry have jointly trial produced 29 types of mechanical and electrical appliances for daily use in seven categories. Among them, bicycles and laundry machines have already been produced in small lots and are now available on the market. The local enterprises engaged in military industry have used 40 percent of their productive capacity to produce civilian consumer goods. New achievements have also been made in the research and trial production of new products, in the upgrading and updating of equipment, and in tapping potential technical renovation and transformation among the enterprises. This year, we have on two different occasions arranged for the trial production of 261 new types of products, and actually succeeded in producing 324 types. In the same year, 76 types of products in the province were evaluated as fine-quality products; among them, No 85 gasoline, methyl-benzene, butadiene-styrene rubber, chlorinated rare earth, and kidney pills in gold containers won national awards for their fine quality. In the work of tapping potential and technical renovation and transformation, we paid particular attention to the technical transformation and equipment renovation of old enterprises. We selectively arranged a total of 532 projects--including those carried over from last year--for energy conservation and for the increase of light and textile products and raw and semifinished materials in short supply. By the end of the third quarter, 450 of them had been completed. For the light and textile industries, 73 projects related to technical measures are already in operation. On the basis of experiments in the expansion of decision making power for the enterprises, the system of giving financial responsibility for various industrial-transportation bureaus to the province, and for various enterprises to the bureaus, is being continued, while within the enterprises, various forms of reward--including rewards based on the number of workpoints, piecework wages after fulfilling a certain production quota, floating wages, and responsibility for a single item of work--are being gradually adopted and improved. At all the enterprises which are successfully carrying out these measures, the enthusiasm of the workers and staff members has been aroused, their economic benefits have been increased, the state's accumulations have increased, and their own income and that of their workers has been raised.

The scale of capital construction has been brought under control, and the orientation of investment has become more rational. This year, the province's investment in capital construction has been reduced by 160 million yuan, a 20 percent reduction below last year's. After examination and suitable action, 13 local projects--which were duplicative or not urgently needed, or were rashly started with no assurance of funds--were either stopped or postponed. By this means, investment in engineering was reduced by more than 473 million yuan. The large-scale reduction in capital construction investment made it possible for us to increase investment in scientific, cultural and educational undertakings by 5.5 percent, and in other projects to improve people's living conditions by 8.7 percent. In capital construction this year, particular attention was paid to the proportion of completed projects and the investment returns. The majority of key projects made quick progress with improved engineering quality. In the construction of school buildings for 11 universities and vocational colleges, a total floorspace of 65,000 square meters was completed and handed over for use, thus insuring the accommodation of new students in the fall term. Floorspace of another 1.3 million square meters was completed for workers' dormitories, and an area of 670,000 square meters was reinforced as a precaution against earthquakes. In environmental protection, the main attention was paid to the treatment of pollution sources, and in the cities and industrial and mining areas, environmental pollution was reduced, compared with last year.

In commodity circulation, we have developed various economic sectors, with the socialist system of public ownership in the predominant position. We have also opened more channels of circulation, adopted various forms of business operation, reduced the intermediary links in circulation, and thus revitalized the economy. The market in the province is more flourishing this year, with a marked increase in the supply of various consumer goods. From January to November, the volume of retail sales in the province totaled more than 2.67 billion yuan, an increase of 2.6 percent over the same period last year, and it is anticipated that the quotas of commodity procurement, marketing and transfer from other places will be overfulfilled. Procurement for foreign trade and the export trade have shown fairly large increases. The transactions at country fairs totaled some 138 million yuan, a 38 percent increase over the same period last year. Because of the floods and waterlogging, vegetables in the cities were for a time in short supply. However, because of timely measures being taken, the requirements of city dwellers were basically met. The industrial and commercial departments in charge at all levels conscientiously implemented the directive of the State Council on strengthening their economic supervision, inspection and market control, checked the unhealthy tendencies in the sphere of commodity circulation, and combated speculation and profiteering.

The extensive application of science and technology in industry and agriculture has played a positive role in the development of production. This year, the province listed 145 key projects in science and technology mainly intended for developing grain production and economic diversification, exploiting energy resources, manufacturing light building materials and conducting technical research in the light and textile industries. The proportion of experiments or intermediary experiments in new products to the total number of scientific and technological projects has been increased from 22.8 percent to 37.7 percent. More than 270 scientific achievements in industry, agriculture, medicine, science and education in the province were evaluated in 1978-1980, and 70 of them won awards. Some of these achievements have already produced good economic results in production.

Since the beginning of this year, the people's government at various levels has made very great efforts to implement the directives of the Party Central Committee and the provincial party committee concerning the development of collective economy and the creation of job opportunities in the cities. According to incomplete statistics, by the end of October, the number of collective commercial stores and food and drink service centers was increased to more than 4,000, an increase of more than 1,800 over last year's, and the number of employees was increased to more than 43,000, an increase of some 5,000 over last year's. The number of commercial stores run by individuals increased to more than 27,700 with a total of more than 36,300 employees, an increase of some 17,000 over last year's. Many unemployed persons in the cities raised funds to set up industrial, building construction and other small collective enterprises, which have played a useful role in enlivening the market, meeting people's daily needs and providing job opportunities in the cities.

For us, 1981 was a year of struggle with natural disasters. In August and September, heavy rains on the upper reaches of the Huanghe River in Qinghai Province caused the most severe flooding since the founding of the People's Republic, thus posing a serious threat to the safety of the Liujiaxia reservoir and the areas on the lower reaches of the river. At the same time, torrential rains also wrought havoc on the upper reaches of the Jialingjiang River, with the result that huge tracts of farmland were inundated and some railway tracks were washed away. Railway transport between Baoji and Chengdu was interrupted. Furthermore, two severe landslides, rarely seen in our history, occurred this year. The first one took place on a mountain slope in Zhouqu County, choking up the Bailongjiang River and endangering the safety of the county and the areas on the lower reaches. The second one took place not long ago in Huanglong Village of Tianshui County, causing an interruption of the Maoji-Tianshui railway service. The Party Central Committee, the State Council and the departments concerned showed great concern for these disasters and promptly issued relevant directives for the leading cadres of the departments concerned under the State Council, the Lanzhou PLA units, the provincial party committee, and provincial government and the party, government and army units in the disaster areas to direct rescue operations at the site. After a hard struggle by the broad masses of armymen and civilians, the danger was soon over, and the people's lives and properties were protected. A large number of advanced units and heroic models who united in the struggle, bearing in mind the overall situation and defying all dangers, emerged during the rescue operations. Facts have vividly shown the entire dependability of our party, our government, our PLA, and our broad masses of workers and peasants, and the unparalleled superiority of our socialist system.

In the past year, a great deal of work was done in education, culture, newspaper work, publication, sports, public health, and politics and law, all centering around economic work, with certain success.

Fellow Deputies:

Despite all these achievements, we still have many shortcomings and problems in our work, and there are obstacles to our advance. The grain output was reduced because of the natural disasters, and this reduction will bring difficulties in production and people's livelihood in the coming year. We have not conducted sufficient investigation and study of the new situation and of new problems brought about by the implementation of various policies for the rural and herding areas and the adoption of the system of responsibility for production in various forms, and our solution of these problems was not prompt enough. In directing agricultural production, we lacked the concept of large-scale agriculture and did not have a firm grip on the readjustment of the internal structure of agriculture with regard to the layout for agriculture, forestry, animal husbandry, sideline production and fishery. We were also lax in our efforts in farmland capital construction. In industry, we failed to break through the old conventions with regard to the industrial structure and the product mix. In tapping the internal resources of industrial enterprises, and particularly in dealing with such questions as how to open new avenues of production and to expand the sphere of service during the readjustment period, how to accelerate the development of light industry and bring into play the strong points of heavy industry in order to maintain a certain rate of advance, our investigations and study were inadequate, with the result that we did not understand the situation clearly and failed to take forceful measures. The decline in industrial output and other factors affected our revenues and brought difficulties in expanded reproduction and in the improvement of people's material and cultural life. In stabilizing commodity prices, the governments at various levels did a great deal of work and the situation is basically good. However, there are also problems which deserve our attention. For example, some units increased prices at will or in disguise, in violation of state regulations, and this brought complaints from the masses. Among some leading cadres, the effects of "leftist" errors have not been thoroughly eliminated. They are in low spirits and lack the kind of stamina for making breakthroughs and keeping in touch with the actual situation. Their laxity and flabbiness in some cases are rather serious. In some government offices, the evils of bureaucracy have seriously affected economic work. All these are problems requiring urgent solution.

The Main Economic Tasks for 1982

Fellow Deputies:

The 10 principles adopted by the Fourth Session of the Fifth National People's Congress for future economic construction in our country correctly summed up the experiences in economic construction over the past 32 years, and particularly in the past 3 years. These principles will constitute the program of our economic work for a long time to come. In the coming year, it will be our task to mobilize the people of various nationalities in the province and the broad masses of cadres to conscientiously implement the spirit of the Fourth Session of the Fifth National People's Congress, guided by the spirit of the Sixth Plenary Session of the 11th Party Central Committee, and to further readjust the national economy with the improvement of economic results as the central task, in order to reverse the passive situation in our economic work and to maintain a steady advance in our national economy. There should be a steady, unexaggerated speed in the development of our national economy. We must raise the total industrial and agricultural output value in the province by 3 percent, or better still, by 4 percent, with some extra effort. Agricultural output will be raised by 6.2 percent; light industrial output, by 8 percent; and heavy industrial output, by 1 percent. Revenues must be increased by 3.2 percent; investment in capital construction for the improvement of people's living conditions will be maintained at the present level; and the natural population growth will be held at 1.16 percent or less. We will concentrate our efforts on the consolidation of enterprises and launch an extensive and intensive campaign to increase production and practice economy in order to make greater contributions to the state. We will strive to raise the management level and the scientific and technical level, as well as the labor productivity. In short, through our efforts in the next several years, we must blaze a new trail based on the realities in our province for the attainment of better economic results and for greater benefits for the people. Here, let me express some views on the main tasks in our economic work next year.

I. All-Round Development of Agricultural Production by Relying on Correct Policies, on Science and on Changes in the Basic Production Conditions

1. We must further implement the various economic policies for the countryside and improve and perfect the system of responsibility for production in various forms. At present, the situation in our countryside is continuing to improve, mainly because of the implementation of the various economic policies formulated by the Party Central Committee for the countryside following the Third Plenary Session of the 11th Party Central Committee and the active introduction of the system of responsibility for production in various forms. In the coming year, we still need to pay great attention to this key link in order to further develop this good situation. We must carefully study the new situation and new problems emerging in the course of practice and sum up the new experiences. While taking the road of socialist collectivization and firmly upholding the principle that the public ownership of land and other basic means of production as well as the system of responsibility for production under the agricultural collective economy will remain unchanged for a long time, we should shift the focus of work to the perfection of the system of responsibility for production in agriculture and animal husbandry and the further implementation of various economic policies for the countryside. After adopting the system of responsibility, mainly in the form of fixing output quotas on a household basis and that of households assuming full responsibility for farm work, our main efforts should be directed to the setting up of the system of economic contracts and the system of job responsibility of cadres, so as to complete the system of responsibility for production in practice. When we are satisfied that the contract system can produce the desired effects, we should formulate our plans for production in 1982, proceed to sign various contracts concerning production in agriculture, forestry, animal husbandry, sideline occupations and fishery, and contracts concerning science, technology and family planning, and properly handle the distribution of interests among the state, the collective and the individual. The leadership over communes and production brigades should be strengthened and the state of laxity and flabbiness should be changed. Continued efforts should also be made to clear up all the problems left over from the past, particularly in strengthening the management of land, the protection of the existing forests, water conservation facilities, machinery, and other collective properties as well as the

productive forces. Active guidance and support should be given to people who want to form any new economic body on a voluntary basis after adopting the system of fixing output quotas on the basis of households or the system of households assuming full responsibility for farm work.

The system of responsibility for output should be instituted in the herding areas in various forms in accordance with the natural conditions and the special characteristics of different nationalities. The system of "two fixed terms and one reward" (the same as fixing output quotas on the basis of households) should also be continued and perfected. Any form of system should include responsibility for herding, pasture building and management, and improvement of breeds. The collective facilities required for production in animal husbandry should be carefully protected. In city suburbs where vegetable growing is concentrated, the systems of fixing output quotas on the basis of specialized groups and assigning output quotas to able-bodied laborers should be adopted, and every effort should be made to fulfill the state's procurement plans and to insure the market supply. The system of responsibility should also be set up in agricultural, forestry and animal farms run by the state so as to overcome equalitarianism in distribution, to improve business management and to turn losses into profits. While improving and perfecting the system of responsibility for production, serious efforts should be made to straighten out the financial affairs of the communes and production brigades by solving the problems created by chaotic financial management, disorderly accounting, graft and embezzlement, or extravagance and waste among some communes and production brigades.

2. We must pay attention to every link in the chain of agricultural production, try every possible way to reap a bumper harvest next year and further readjust the internal structure of agriculture. There are many favorable conditions for increasing agricultural output next year. Since the arrival of autumn the soil moisture content has been good, and this winter many places are covered with snow. The quality of sowing for the overwinter crop this year is better than last year, while the farmland is now well prepared with humid soil, fertilizers, seeds and other farming requirements. After readjustment, the crop pattern is now more rational. Above all, the correct policies have aroused people's enthusiasm, and there is an ardent desire in the countryside to acquire a knowledge of science and to change the conditions of production through scientific methods. As long as we keep up our efforts, there is every hope for us to have a better harvest next year. To raise the grain output, we must strive to raise the output per unit area. Our target is 10 billion jin. We should respect the habits of planting in various localities and the decisionmaking power of the production teams, and use the present land resources in a rational way. After summing up our experiences, we should suitably readjust the ratios between summer and autumn crops and among different varieties of products. The Hexi commercial grain base and the other grain producing areas of fairly high yields should further tap their resources, increase their output and continue to make greater contributions to the state. The grain deficient areas should actively transform their low-yield fields, select and breed drought-resistant strains, apply more organic fertilizer, use rational farming methods, store water to preserve moisture, and make every effort to increase the grain output. Drought and other natural disasters are quite frequent in our province, and we must constantly be on the alert to combat these disasters. We must be prepared for the worst and be ready to combat natural disasters at any time, so that we can hold the initiative.

The development of forestry is a fundamental measure to readjust the agricultural structure in our province, to improve the ecological environment, and to raise the agricultural economic benefits. We must further implement the various important decisions of the Party Central Committee and the State Council concerning the development of forestry and the specific regulations of the provincial party committee and the provincial people's government and further arouse the enthusiasm for tree planting of the state, the collectives and individuals. In 1982, 1 million mu of land should be covered with trees. We should earnestly sum up and popularize the advanced experiences in tree-planting and afforestation, build the "three-northern" shelter forests and the Hexi farmland forest network, and plant trees for fuel in the central areas. The natural strong points of the Longdong and Longxi areas should be fully utilized for planting trees of economic value and rapidly growing trees. People of all nationalities in the province should actively respond to the call issued by the Fourth Session of the Fifth National People's Congress for a national afforestation drive, and every able-bodied person is obligated to plant three-five trees each year. Plans should be carefully worked out for specific tasks to be assigned to each unit and each individual. All government offices, plants, mines, enterprises, schools, army units and neighborhoods should plant trees, grass and flowers and create a beautiful environment through a cover of green foliage. In the countryside, we should carefully attend to the "three-specified requirements" (specified rights over the forests, specified system of responsibility for production and the specified "three wastelands") in forestry according to the relevant regulations. Forceful measures should be taken to forbid indiscriminate felling or destruction of trees, and to guard against forest fires and pests in order to protect the present forests. In places where conditions permit the planting of groves of timber or fruit trees, it is necessary to organize specialized afforestation groups to put the work on a permanent basis. The forestry areas should firmly uphold the principle of treating afforestation as the main concern and resolutely correct the practice of stressing felling and neglecting planting purely for the purpose of obtaining timber and the practice of producing logs as the main task. We must strictly limit the amount of felling according to state plans, stress the reafforestation of denuded lands and the nursing of secondary growths, and actively promote the comprehensive utilization of timber.

Animal husbandry should be treated as an important link in the large-scale development of agriculture, and the principle of paying equal attention to agricultural and herding areas and to the breeding of both hogs and grazing animals by the state, the collectives and the commune members, should be upheld in order to develop animal husbandry vigorously. In 1982, we expect animal husbandry to supply 145,000 tons of meat. The agricultural areas should direct their efforts to the production of fodder and actively develop the comprehensive use of stalks, chaff and other byproducts. The herding areas should continue their efforts to make rational use of pastures and other key construction projects, speed up the improvement of cattle breeds, and readjust the makeup of their cattle. They should actively promote hog breeding by continuing the adoption of the reward policy and solve the problems of pig feed and pig procurement after the adoption of systems of fixing output quotas on the basis of households and of households assuming full responsibility for farm work in the rural communes and production brigades, in order to insure a steady and sustained increase in hogs. The breeding of camels and donkeys deserves special attention, while pigs with lean meat, dairy cows and beef cattle, milk goats, zhan sheep, [zhan yang 4541 5017], sheep of good breed and with fine wool, sheep with semifine wool and rabbits of fine breeds should be increased to meet the people's daily needs and the market demand, and to support foreign trade and export.

3. We should energetically develop economic diversification and promote the processing of agricultural sideline products according to local conditions. The development of economic diversification is a strategic measure for the countryside to turn poverty into prosperity. The leadership at various levels should foster the concept of large-scale socialist agriculture, change the former practice of concentrating all efforts on grain production alone, and make full use of the natural resources in our province. While guaranteeing an annual increase in the total grain output, we should develop economic diversification in a planned way and according to the principle of "adapting measures to local conditions and concentrating our resources in the proper way." Attention should be paid to the building of rapeseed bases in Linxia and the Eryin areas on Qilin Mountain; the flax bases in the Dingxi area and the Shuidi area of Xiquan; the beetroot base in Hexi; and the cotton bases in Dunhuang, Xian and Jinta, in order to strive for a higher output of cash crops next year, including 2.23 million dan of oil-bearing crops, 2.8 million dan of beetroots and 75,000 dan of cured tobacco. The initiative of both collectives and individuals should be given full play. Active economic and technical support should be given to the specialized teams, specialized groups or specialized households engaged in economic diversification, and the commune members should be encouraged to develop household sideline occupations. After surveying our resources, picking out the strong points and arranging them in order, we should work out plans for the current year and the 5-year plan for developing economic diversification and gradually set in order our production bases for various native and special products in the province. The collection of wild growths of economic value should also be attended to. All industrial, transportation, commercial, supply and marketing, financial and banking, scientific and technological departments should actively help in the development of economic diversification by solving their problems in production, supply and marketing and transportation in addition to other technical problems. We should make full use of the productive capacity of the existing commune- and production brigade-run enterprises in order to develop the industry of processing agricultural sideline products, to set up various planting and breeding farms, to promote knitting, embroidery, pottery, the production of minor farm tools and other handicrafts. With some effort, we should produce a number of products which are received well on the domestic as well as the international markets.

4. We should intensify scientific research in agriculture and encourage scientific farming. Science and technology must take the lead in developing agricultural production. Governments at all levels must provide more active leadership in scientific and technical work in agriculture and popularize the fruits of scientific and technical achievements so that they will quickly be turned into productive forces. The fine strains of various crops must be carefully cultivated and popularized so that a system of cultivation, propagation and popularization of fine strains can be established and perfected throughout the province. We should continue to preserve the traditional farming techniques such as deep plowing of humid soil, moisture preservation by raking using autumn rains in spring and combating spring drought in autumn, which have been accumulated by the masses in various localities

in the practice of production over a long time. The growing of green manure and the application of nitrogenous and phosphorus fertilizers deep below the surface should be popularized. The crops should be well protected against various pests. To develop scientific research in agriculture, we have organized scientific research forces according to the demarcation of economic zones. The agricultural departments in various counties should quickly shift the focus of their work to the popularization of science and technology. There should also be a system of scientific and technical responsibility in various forms, with technical service companies and mass organizations of technical cooperation being set up on a trial basis. The system of scientific and technical contracts for agriculture should be actively promoted in order that scientific research can be carried out along with the popular application of its achievements. After a careful survey of the natural resources, the demarcation of agricultural zones should be carried out. The training for agricultural leading cadres and the special training for administrative cadres should be continued and peasant-technicians should also be trained in large numbers so as to form a regular technical contingent for agriculture.

5. We should lay great stress on farmland capital construction and gradually improve the conditions of agricultural production. Our achievements in farmland capital construction were quite remarkable in the past and played an important role in production. The errors, such as being cut off from reality, commandism and formalism previously committed, have been rectified in recent years. However, the rectification of errors does not mean that we can now relax our efforts in farmland capital construction. We must be fully aware of the poor natural conditions in our province, and unless we exert our efforts to improve the production conditions, it will be impossible for us to change the backwardness of our agriculture. We must continue to exploit, protect and rationally utilize our water resources. If economic conditions permit, after a comprehensive survey and planning, we should build some small and medium-size hydroengineering projects with civilian labor and government subsidy. In localities with irrigation facilities already available, stress should be laid on management of water conservation, and a system of responsibility for management should be set up in various forms, with stress on the scientific use of water, the winding up of various hydroengineering projects, making full use of the existing irrigation facilities, and using water to the best advantage. In dry areas, the method of civilian undertakings with government aid should be used to support the communes and production brigades in building terraced fields, consolidating the sandy land, repairing channels, building dams and drawing water from mountain streams to soak the land. All these tasks should be based on realities and undertaken within the limits of our capability. Our long-range plans should be coordinated with our immediate needs and the stress should be on economic results. We should also take active steps in the care of small river basins. Precautionary measures should be taken all along the river, and indiscriminate exploitation of wasteland is strictly prohibited. Work on the mountain slopes will be coordinated with work on the gullies, and biological measures will be combined with engineering measures. Concentrated efforts will be made in one area after another to reduce soil erosion. In places with problems of drinking water for human beings and cattle, continued support should be given to the masses in digging pools for storing water. We must have the determination to basically solve this problem in 2 or 3 years. Solution of the problem of energy resources should be treated as an important task in improving people's living conditions. We

We should strongly encourage the remodeling of cooking stoves and developing hydropower on a small scale. After setting up some typical examples, we can try to popularize the use of methane, wind energy and solar energy, provided they produce real effects.

II. Stress Enterprise Consolidation and Improve Industrial Production and Construction, with Improvement of Economic Results as the Central Task

1. The consumer goods industry should be vigorously developed to meet the daily increasing needs of people's livelihood in the urban and rural areas. Development of consumer goods production can help increase national revenue, withdraw currency from circulation, bring prosperity to the market, stabilize commodity prices, develop our exports and provide more job opportunities. It is of great significance to the development of our national economy and is an important policy which we must hereafter uphold in economic construction.

There are favorable conditions and great potential for the production of consumer goods in our province. We have a fairly good foundation for the petrochemical industry and for nonferrous metal and other raw materials production, and we have many other products which can be used as raw materials for the consumer goods industry. We can count on a fairly good supply of leather and fur, sugar, tobacco and other agricultural and animal products; and there are broad avenues for economic diversification and fairly abundant energy resources and labor power. All these are favorable conditions for the development of the consumer goods industry. Furthermore, cash income for the urban and rural populace is increasing every year, and there is an urgent need for good-quality, easily marketable, and durable industrial goods for daily use. It is therefore necessary for us to develop light, textile and daily consumer goods industries as our primary concern. We should give full play to the potential of the existing enterprises, and on the basis of due investigation, study and market forecast, develop in a planned way a consumer goods industry that calls for little investment, yields quick returns and requires high labor intensity. This industry should enjoy priority in receiving the required leadership, the supply of raw materials, the grant of funds, the allocation of energy and technical support in order that it can grow rapidly. The main efforts should be directed to the production of those items which are urgently needed by the people and which we are in a condition to produce, such as cotton textile materials, plastics, leather, garments, foodstuffs (including sugar, cigarettes and liquor), electrical appliances for daily use, furniture, packing materials, glassware, civilian building materials, spices, Chinese drugs, and so forth, along with the production of articles especially needed by the national minorities and articles for tourism. In developing consumer goods, particular attention should be paid to the continued improvement of quality and the designs, varieties and specifications which are in popular demand. We should constantly study the requirements of consumers, the changes in market conditions, and particularly the rural market conditions, and the supply of consumer goods and building materials for the broad masses, especially the peasants.

In the past 2 years, we converted part of the productive capacity of the machinery and national defense industry to the production of consumer goods. Some enterprises in which this conversion was carried out earlier and more efficiently are now showing initial success, but most of them have not yet formed any new productive force. When these enterprises are in good working order, they will play a certain role in the production of consumer goods. All departments in charge should conduct a concrete study of the retooling of each enterprise and help it to solve problems regarding equipment, technical transformation, personnel training and the trial production of new products so that these enterprises can quickly begin the serial production of new goods. We should also pay attention to converting some enterprises for the production of light and textile industrial goods. In this respect, the Gangu Printing Ink Factory has had excellent experience. Last year, this factory remodeled part of the factory buildings and equipment of two fertilizer plants--the Gangu and Wushan Nitrogen Fertilizer Plants--for the production of dyestuff and other light industrial goods. In the Gangu Nitrogen Fertilizer Plant, three production lines have already been set up for dyestuff, and it is estimated that the output value from these production lines will amount to 4.5 million yuan this year and yield 1.3 million yuan in the form of taxes and profits for the state. In the Wushan Nitrogen Fertilizer Plant, a production line for spraying printing ink was completed in 70 days. There are many enterprises in our province in which the production lines can easily be changed, and we should use the method of having the old to guide the new for the full utilization of these facilities. In short, if we are good at organizing, accurate in the selection of our target, work hard, and solve the problems of transformation in a practical way, there will certainly be a rapid development in the consumer goods industry in our province.

We must attach great importance to learning advanced experiences and advanced techniques from other provinces and regions, particularly the industrial cities along the coast, mainly through "sending out" and "inviting in." An old proverb says: "The rocks of another mountain can be refined into jade." We should use other people's strongpoints to make up our shortcomings.

2. We should further readjust the service orientation of heavy industry and improve communications and transportation. The proportion of heavy industry in the industrial structure of this province is quite high. It is an important support of our industrial production and the main source of our accumulation funds. In 1982, we should further readjust the service orientation of heavy industry, create new spheres for its activities, and expand the scope of its service in order to give play to our strong points and to bring about an upswing in heavy industrial production. We should enable it to maintain a certain rate of growth. The machinery, electronic and local military industries, after conducting market surveys, should produce suitable goods to give better service to agriculture, the light and textile industries, and the technical transformation of old enterprises and exports. Furthermore, when any department, prefecture or county has any task requiring processing by machinery and it can be undertaken by the machinery trade in our own province, with the quality, specifications, performances and prices approaching those of other places, we should arrange to have it processed in our province, which should enjoy priority. The metallurgical and building materials industries should strive to increase the production of sulphuric acid, glass, cement, bathroom ceramics and other products in short supply, and speed up the construction of mines so as to maintain continuity of supplies. The petrochemical industry should readjust its product mix and pay attention to intensive processing in order to supply more raw materials to be used for the production of consumer goods.

Those enterprises whose products are excessive to the demand and of inferior quality and which have for a long time suffered losses, as well as consuming excessive energy and raw materials and causing serious pollution, should be closed, suspended, merged or retooled. All enterprises that are closed or suspended should carefully protect state property, make elaborate arrangements for the workers and staff members to study, to receive training, or to find other work. They should persuade the workers to submit to the unified disposition of the labor departments, and to adapt themselves to current needs. Those who look upon the closure and suspension of enterprises as an opportunity for them to destroy, to steal or to divide state properties among themselves must be severely dealt with.

We should pay careful attention to the generation and conservation of energy, and improve our work in communications and transportation. This will be an important factor in the sustained growth of our industrial production in 1982 and the next several years. We must insure the fulfillment of state plans for coal and petroleum output and try our best to produce even more. The electric power industry should be rationally regulated so that the relationships between thermopower and hydropower, and between high water and low water seasons are well adjusted in order to guarantee a normal power supply. At the same time, we should stress energy conservation. In 1982, the output value of all enterprises created by each unit of energy should be brought up to the highest level previously attained, or up to the advanced levels at home and abroad. The province should save 300,000 tons of coal, 15,000 tons of coke, 5,000 tons of fuel oil, 12,000 tons of finished oil products, and 200 million kWh of electricity. We should strictly economize the use of water. Next year there will still be a very heavy strain on our railway capacity, and highways will have to play an important role in short-distance hauls so that more railway space can be left for long-distance hauls. The railway and highway departments should strengthen their control over dispatchi~~ng and~~ try i~~n every~~ way to increase transport efficiency and to insure the transportation of key materials and important products.

3. We should conscientiously attend to the job of tapping potential and technical renovation and transformation and make full use of the existing enterprises. The focus of our work in developing industry in future will be to tap the potential of existing enterprises and to carry out their technical transformation. This method costs less money but yields quicker and better economic results. Through hard struggle and self-reliance, the Gansu Rare Earth Company remodeled its factory buildings and equipment and, using only one-sixth of the funds and one-third of the time required for a new project of the same scope, completed a production line for 6,000 tons of chlorinated rare earth. This is a good example of self-reliance in tapping potential and technical renovation and transformation, and its experience should be studied and popularized.

The projects for tapping potential and technical renovation and transformation in 1982 should be coordinated with the task of improving economic results and the readjustment of industrial structure and product mix. While carefully winding up the commissioning of old projects, we must fully demonstrate the merits of the new projects, with particular stress on better quality, increased varieties and specification, energy conservation, reduced losses, comprehensive utilization, environmental protection, intensive processing and adaptability to the production of daily consumer goods.

The task of technical transformation for the existing enterprises in our province is an enormous one. However, because of financial difficulties, we can only do what is within our capability and do it gradually instead of rushing headlong into mass action. We cannot rely on state allocation as the sole source of funds, and we should guide the enterprises to make good use of bank loans and their own funds. The depreciation funds and the production development funds of enterprises should be spent in accordance with state regulations mainly in upgrading equipment and transforming the work process and technology, but not on fringe benefits or new projects. Economic commissions at all levels should cooperate with banks in supervising the management of enterprise funds so as to be sure that these funds are properly controlled and used.

4. The construction period of capital construction should be shortened, and the quality should be improved in order to produce better investment returns. We must uphold the policy of protecting the key projects and insuring that they will be ready for operation on time, and carefully arrange their priority order. For the key projects, we must be sure that there will be a balanced and continuous supply of funds, equipment and manpower according to the approved scope. There should be a system of responsibility for the projects with regard to the construction period so as to be sure that the projects will be completed on time. The construction enterprises should be streamlined so that they have the proper business attitude and the concept of truly serving the customers can be cultivated among them. We should strengthen the management of enterprises, organize scientific construction, strive to shorten the construction periods and make every effort to basically complete the projects as scheduled in 1 or 2 years. The construction costs should not be higher than those in 1981, and we should try to bring them a little lower. While instituting the system of economic responsibility, we should carefully handle the economic relationship between the construction enterprises and the construction units. Economic contracts should be signed mainly in regard to the construction periods and the work quality. There should be close cooperation between them so that the construction can be speeded up. Advanced work for the new projects included in the 1982 plan should be carried out well. This includes prospecting, site selection, requisition of land, comparison of alternate plans, expanded preliminary design and so forth. No new project can be started until the advance work has been completed.

5. The consolidation of enterprises should be regarded as an important task. An important problem in industrial production in the province is the poor economic results. In some enterprises, the management is chaotic, the quality of products is deteriorating, the consumption of energy and raw materials is rising, waste is serious, and losses are mounting. Therefore, the consolidation of enterprises is an urgent task at present. In the coming year, all regions and all departments should treat the consolidation of enterprises as an important task. In accordance with the procedures contained in the "Views Concerning Strengthening Leadership in Consolidating Enterprises" of the State Economic Commission, relayed to us by the State Council, they should work out plans and concrete arrangements for their own region and their own departments, and carry out an all-round consolidation of the enterprises in separate groups and at different times. The consolidation must be linked with the central task of improving economic results. The substance of an all-round consolidation should include consolidating and perfecting the

system of economic responsibility, consolidating the labor organizations, consolidating and strengthening labor discipline and consolidating financial discipline. In the process of an all-round consolidation, the main attention should be paid to the building and consolidation of the leading bodies.

While consolidating the enterprises, we should carefully sum up our experiences and perfect the system of economic responsibility of the enterprises. There should be a conbination of rights, responsibilities and interests as well as a combination of the system of economic responsibility with ideological and political work so that there will also be a combination of state, enterprise and individual interests. At present, we should stress the following points:

First, for those enterprises operating under the system of profit-sharing or the system of responsibility for profits and losses, the profit index should be considered in combination with other indexes, such as those of quality, variety, output production cost, consumption, safety, and supply of goods, in an overall evaluation. The enterprises should first insure that their obligation to turn over profits to the state is fulfilled so that state revenues can be increased every year. Out of the increased profits every year, the state's share should be larger than that of the enterprise. At the same time, the enterprise should have improvement of the quality of its products and lowering of its production cost as the central tasks, and insure an all-round fulfillment of the state plan. It must not produce blindly, purely in quest of profit, resulting in a disparity between production and demand. Second, our main attention should be directed to the enforcement of the responsibility system at various levels within the enterprise so that every person will be assigned a certain job and every job will carry a certain responsibility. All systems of management should be strictly enforced so that all personnel will strive to promote production instead of being only concerned with distribution. The enthusiasm of the broad masses of workers and staff members should be channelled to the strengthening and improvement of business management and economic results. Third, the increase of individual income for workers and staff members cannot exceed the increase of output. The level of bonus in an enterprises should be considered along with the overall fulfillment of plans and the rise in all technical and economic indexes. It cannot be determined purely on the basis of the profits or the losses. In other words, this level should be based on an overall assessment of the increase or decrease in production and profit, the quality of products and product costs. It can be raised or lowered, instead of only being raised without being lowered. The enterprises which have to be closed or suspended, those whose losses exceed the planned figures, or those which have not been included in the plan, are not permitted to pay any bonus. The payment of bonus must be guided by the principle of more pay for more work, less pay for less work and no pay for no work, and there should be no equalitarianism. The amount of bonus cannot be more than the amount approved by the higher levels. The piecework wage system can be adopted under certain conditions, and there should be an advanced average quota which should be approved by the department in charge. If these requirements are no met, the piecework system should be stopped.

In response to the call issued by the central government for "revolutionized, younger, better eudcated and professionally competent" leading bodies, we should set up and consolidate our leading bodies, beginning with the elimination of laxity and flabbiness which now exist. In 1982, we should first consolidate and streamline the leading bodies of large and medium-size enterprises. We want more than half of the members of the leading bodies to be young and healthy and to be familiar with production techniques and business management in order to meet the requirements of the four modernizations.

In the course of consolidation, we should also learn from the good experiences of all advanced typical examples, including Daqing, pluck up our revolutionary courage, improve our style of leadership, consolidate the rank and file of workers, and improve the enterprise management. We should fully mobilize the masses to correctly use the weapon of criticism and self-criticism, and carry out careful examination to find out whether the mentality of the leading cadres and the broad masses of workers and staff members in each unit is suitable for the present situation; whether they are demonstrating their revolutionary fervor; whether the leading cadres are closely integrated with the masses in sharing every weal and woe; and whether the comrade workers and staff members are carrying out their work and production with the sense of being masters of their own affairs. Based on these observations, we will take strong measures to arouse the socialist enthusiasm of the broad masses of workers and staff members in improving the industrial production and management in the province.

In consolidating the enterprises, we must pay attention to the key issues by starting with those backbone enterprises which can produce a strong impact on the national economy. There are in the province 60 enterprises with an industrial output value of more than 10 million yuan each; 40 enterprises making profits of more than 1 million yuan each; and 30 enterprises losing more than 500,000 yuan each. These enterprises can greatly influence the industry in our province, and they should receive our main attention in the course of enterprise consolidation. The leading comrades and the departments in charge ~~in the province~~ should set up a system of responsibility and be ready to spend 1 or 2 years in consolidating these enterprises. After the consolidation, we should examine them according to the six criteria set by the State Council. If they cannot pass this examination, they must be consilidated again.

III. Continue To Do the Various Jobs Well in Commodity Circulation, Stabilize Commodity Prices and Guarantee Supplies to the Urban and Rural Areas

Efficient commodity circulation has a close bearing on the promotion of production and the guarantee of supplies. Based on the principle that planned economy should play the main role, with market regulation in a supplementary role, we should pay special attention to the following tasks:

1. We should strongly support the development of local industry and economic diversification in the province. The commercial and supply and marketing departments should provide timely information on the market for the industrial departments, and supply data, samples, and the raw and subsidiary materials. They should try in every way to help the industrial departments increase their output and improve their product quality, and then actively support the marketing of local products. Anything that can be produced in the province with the same quality and the same selling price as those of other places should enjoy priority in marketing, and as a matter of principle we do not want to buy things from

other provinces. They should guide the development of economic diversification according to market needs, support and promote the production of goods in short supply, in striving for a generally balanced production and marketing. They should supply the means of production and subsistence for collectives and commune members in good time, introduce to them the experiences in production, help train technical personnel, organize and guide them in processing agricultural and sideline products, support mining and tunneling, and promote the development of repair service and transportation.

2. We should step up our work in the procurement of agricultural sideline and industrial products. In procuring either agricultural sideline products or industrial products, we should always uphold the "three simultaneous considerations" principle and strictly follow the state plans. We should continue to use the systems of unified procurement and quota procurement for agricultural sideline products. The procurement tasks passed down to us for grain and edible oil must be fulfilled or overfulfilled by all means. Procurement of agricultural sideline products of the first and second categories by the province from the prefectures and counties should be carried out by means of procurement contracts with the collectives and commune members so as to insure the completion of these tasks. The important agricultural sideline products and industrual raw materials can only be used inside the province for meeting certain needs, and are not to be transported out of the province. We should continue the steady increase of hogs on the basis of the policies of quota procurement and rewards, and pay great attention to the procurement of beef, mutton and fresh eggs so as to insure adequate supplies for the market. Those products which have been downgraded to third category agricultural sideline products, such as day lilies, edible fungi and carcass-type sheep produced in agricultural areas, should be upgraded to second category again and subjected to quota procurement. As to agricultural sideline products already showing signs of decline in sales, such as hemp, honey, walnuts, sunflower seeds and Chinese angelica, the departments concerned should organize their forces to study and discover some means for their comprehensive utilization and to find ways to sell them. The methods of unified purchasing and marketing, planned procurement, procurement by order, and procurement after selection should be continued for industrial products, and the contracts should be scrupulously observed. Within the scope prescribed by state planning, the plants are permitted to sell part of their own products. Industry and commerce should be closely related and should support each other in a common effort to prepare a good market for industrial products.

3. To push commodity sales, we should continue to sell more industrial products in the countryside. Purchasing power in the urban and rural areas has been greatly increased along with economic development. According to the forecast, there will still be some disparity between the purchasing power and the supply of commodities in our province. The commercial and supply and marketing departments should make great efforts to increase the sources of goods, tap the internal resources, and release the goods in stock for consumers. We should resort to every means to dispose of overstocked goods so as to help in the withdrawal of currency. The sale of minor commodities should also be promoted, and in places where conditions permit, wholesale departments, special stores or special counters should be found to satisfy the needs of the peasants. For industrial products

needed by both urban and rural areas, we should always give priority to the rural areas, however, we should always give priority to the urban areas as a matter of principle. As for commodities in short supply, such as bicycles and sewing machines, 20 percent of those obtained from increased goods sources will be kept for the cities and 80 percent must be supplied to the countryside, according to the set proportion of distribution. The idea of reluctance to sell must be eliminated; using unwanted goods as a supplement to not selling items and dividing goods among the employees in private are strictly prohibited; and backdoor dealings must be eliminated. We should open more commercial stores, extend delivery service even to the countryside, set up more vendor stalls, hold exhibition and sales meetings, material exchange meetings, and meetings for placing orders and use other such methods to promote sales.

State-run commercial departments and the supply and marketing departments should organize "basket-carrying teams" to procure agricultural sideline products and to sell industrial products in the countryside. We should continue to improve the "three-more and one-less" system--that is, more economic diversification, more forms of business, more channels of circulation, and less intermediary links in circulation--in order to further enliven the urban and rural economy. We should also organize the supply of commodities for special minority nationality needs and for children.

4. We should further develop foreign trade and export. Under the existing system, we should be more active in our procurement for foreign trade and export. We must be prepared for international competition, develop our commodities for export, tap export resources, and improve the quality and packaging of our products. We should have the determination to win the competition on the strength of the superior quality of our products and to catch up with the advanced levels, so that our province can produce more fine-quality goods and backbone commodities for the international market. We should continue to organize exports outside the plan, and handle the exports ourselves. At the same time, we should actively develop the processing of imported material, and the extra resources from imports can be used to serve the expansion of exports in our attempt to increase the local foreign exchange earnings.

5. We should strengthen the control of commodity prices and preserve a basic price stability. All areas, departments and units should continue to act in accordance with the spirit of the State Council's notice, resolutely implement the price policy and strictly enforce the price laws. The issuance of currency should be strictly controlled, and frequent checks should be made to find out how the price policies are being carried out. Prompt measures must be taken to solve any problem uncovered. Any violation of the price laws should be promptly and severely dealt with. While revitalizing the market, we should at the same time strengthen market control. We should protect legitimate business; proscribe illegal activities; combat speculation, profiteering and smuggling; and strictly prohibit the driving up of prices. We must maintain a good market order to insure flexible control and order and to maintain lively activity.

6. In consolidating the finance and trade enterprises, we should actively and steadily institute and perfect the system of responsibility for management. In enforcing the system of responsibility for management among finance and trade enterprises, we must not judge the economic results only on the basis of the amount of profit. The economic results must be linked with business orientation and service quality in order that we can have an overall appraisal on the enterprises. The economic indexes should be considered along with the implementation of policies and the improvement of service so that rights, responsibilities and interests are integrated, and the quality of service and economic results can be improved. For those enterprises having already adopted the system of management responsibility, we should stress consolidation and bring the system to perfection. As to those that have not yet adopted this system, we should at the same time set up various forms of control for checking unhealthy tendencies in commodity circulation. All illegal acts which are detrimental to the interests of the state and the broad masses, such as collusion between employees and outsiders in violation of the supply policies, condoning and supporting hawkers in illegal purchases of commodities in short supply to be resold at high profits, must be severely dealt with. We must educate the finance and trade workers to uphold "one policy" (the policy of developing production and guaranteeing supply), to offer "two services" (service to industrial and agricultural production and service to the people) and to form "three concepts" (the production concept, and mass concept and the political concept); to observe discipline and the law; and to oppose corrosive effects. They should extensively practice civilized trading, be respectful to customers, offer good services, afford facilities for the masses, improve their attitude toward service and the quality of service, and insure the completion of various tasks in the sphere of circulation.

IV. Strengthen Financial and Banking Work, Increase Revenues and Curtail Expenses, and Strive For Financial and Credit Balances

The fundamental way to solve financial problems is to increase production, practice strict economy, reduce waste and improve economic results. The financial and banking departments at all levels must concentrate their efforts on management of funds and support for industrial and agricultural production. They should devise good ways to increase resources and reduce expenditures; to acquire, accumulate and spend money in the proper way; and to increase and conserve construction funds.

1. We should open more sources of revenue in light of actual conditions in the province. Our revenues mainly come from the industrial enterprises. According to the present level of accumulation for industry, the annual increase in revenues will be far from adequate to meet our annually increasing expenditures. It is therefore necessary for our financial and banking departments to give full play to the role of economic levers in order to stimulate the economy and to boost production. They should support industrial, agricultural and animal husbandry production in the way of funds, loans and taxation; they should help and encourage the industrial enterprises to tap their internal resources, to improve their economic results and to increase both production and income. They should also support the commercial, supply and marketing, grain and foreign trade departments in the procurement of industrial goods and agricultural sideline products, and guarantee the supply of raw and semifinished materials needed for industrial production so as to increase the production of commodities, meet the market's

needs, and expand exports in foreign trade. Furthermore, they should support the development of the service trades, tourism and cultural development. By these means, they will create more wealth and gain more wealth and gain more revenue for the state.

2. We should adopt correct policies and open more avenues for the accumulation of wealth. On the basis of an all-round increase in revenues, we should through taxation and other financial means collect and accumulate all the funds due. The work of taxation should be intensified, and tax evasion should be strictly prohibited. Based on the new situation of economic development and in accordance with the relevant state regulations, we should restore some old taxes and add some new ones, and make full use of the banks as "water storage pools" by starting some new savings services in accordance with the various requirements of the masses. Thus, in a planned way we can accumulate the funds of some localities, enterprises and individuals for use in necessary state construction projects. After summing up our experiences, we should use more bank loans instead of state allocations to finance capital construction projects. At the same time, in accordance with the state's credit policy, we should raise more funds through the inauguration of trust and insurance services.

3. In spending, we should stress meticulous calculations, strict budgeting and efficient planning. In view of the present financial difficulties, we should plan our expenditures within the limit of our capability. All enterprises and establishments should strive to produce better economic results with less expenditure. All economic departments should cooperate with the financial departments in improving the methods of spending. First, investment must be strictly regulated. For investment in capital construction as arranged by the state, the allocation of funds should strictly follow the plan and not be excessive. Supervision and control should be strengthened to insure the use of funds on the most needed projects. At the same time, the self-raised funds of various departments and enterprises should also be strictly examined and controlled so that all expenditures are budgeted and are finally accounted for at the end of the year. Second, reduced revenues and increased expenditures must be strictly guarded against. The deposit of revenues in the treasury, the return of money through redemption of bank loans, the funds retained by enterprises in profit sharing, and the enterprise working funds should be strictly examined. Losses due to poor management must be stopped. Third, the granting of loans must be carefully handled. Short and medium-term equipment loans and capital construction loans should be properly used and controlled. Fourth, the system of responsibility of units for their own finances should be consolidated and perfected so as to arouse the enthusiasm of the departments in charge and the enterprises. The base figure and the ratio of shares should be decided on the basis of the experiences summed up this year, at which time the sharing of the entire profits or the above-quota profits will be determined on the basis of the various conditions. Fifth, institutional purchases should be strictly controlled. We must act according to the system of examination and approval so as to save unnecessary expense. Sixth, a careful inventory should be taken in order that the overstocked goods can be properly disposed of, the financial potential of enterprises can be tapped, and the funds in circulation can be reduced.

4. We should strictly enforce financial and economic disciplines and strengthen our financial supervision. There should be centralized control of financial outlays, and anything that involves reduced income and increased outlay must be

examined and approved by the leading comrades of the financial departments and the department in charge. We must combat all violations of financial and economic laws, such as withholding profits which should be turned over to the state, charging other expenses to production costs, falsification of accounts, and unauthorized transfer of funds. Tax evasions, which are now prevalent in various forms, must be eliminated. Those who waste state funds must be held economically accountable, and in serious cases, they should be dealt with according to law. During this winter and next spring, all regions and departments should organize their forces to conduct an overall inspection of the way enterprises are carrying out financial discipline.

Fellow Deputies:

To improve our economic work and to help economic construction in our province to continue its steady progress, we must solve the problem of the integration of education and scientific research with production. In the coming year and for some time to come, our investment in culture, education, public health, science and technology should be increased every year on the basis of comprehensive planning and overall arrangements, in order that the development in these fields can gradually keep pace with the development of industrial and agricultural production. The schools should step up their ideological and political work and improve the quality of teaching. They should actively guide the students in overall moral, intellectual and physical development, and refrain from a one-sided drive to get higher percentages of students into higher education, and gradually change the present excess of common secondary schools, the shortage of vocational secondary schools and the low cultural and technical level of the workers and staff members. In science and technology, we should strengthen applied research and development research and quickly orient them to serving economic development, so as to solve the urgent economic problems and to meet the urgent needs in people's daily life. We should pick out the key problems in technology centering around the improvement of economic results, organize our forces to solve them, and then popularize the fruits of our scientific research and the advanced techniques in order to increase industrial and agricultural production. In medical work and public health, we should continue to uphold the principle of "prevention first," consolidate the structure of medical services, and restore our hospital management to its best level in history. We should also continue to encourage family planning and strictly control population growth. The present method of rewarding those who limit themselves to a single child and to restrict the practice of having two or more children should be kept up. With the introduction of the system of responsibility for production, the work of family planning must not be relaxed, especially in the localities where the system of fixing production quotas on the basis of households and the system of households assuming full responsibility for farm work are already in force. The family planning index and the production index should both be included in contracts, which should also provide due rewards and penalties. Family planning should also be carried out in the minority nationality areas, but not according to a uniform formula. In herding and forestry areas where there is more land with few people, the policy can be more flexible in dealing with minority peoples. However, they cannot have more than three children.

One of the important problems in the national economy of the province is to develop collective economy in order to accommodate more unemployed youths. Because of the leftist errors, for a long time we adopted a policy of restricting or banning collective and individual economies. Furthermore, the defects in our labor system have inured people to the idea of "iron rice bowls." As a result, the enterprises owned by the whole people have become overstaffed and their labor productivity has declined, while commerce and the service trades, which are closely related to people's daily life, are understaffed or even frowned upon. To change this situation, we must, in accordance with the spirit of the notices from the central government and the provincial party committee concerning the development of collective economy as a solution to the employment problem in the cities, and in coordination with the readjustment of the industrial structure and the systems of ownership, strive to develop collective economy and support individual economy in the cities and at the same time organize the unemployed youths to work in the commercial and service trades and to engage in the production of consumer goods. To facilitate the development of collective economy and to gradually reform the labor system and industrial structure, the provincial government has decided that in the next several years, no regular workers will be recruited for the enterprises owned by the whole people. This is an important matter concerning thousands upon thousands of households. Since there are ideological obstacles and a series of real problems, it should count on social support from various fields. We should give it every support in the way of fund raising, adopting the required tax policy, providing business locations, opening channels for marketing and offering technical training. We must continue to liquidate the "leftist" influence and eliminate the mistaken ideas of looking down on collective undertakings and showing contempt for individual undertakings and service trades. The leading cadres at all levels should take the lead in educating their own unemployed children and relatives so that these young people will gladly engage in collective or individual productive labor or a service trade. We hope the youths will demonstrate their skill and make their contributions in collective undertakings.

Good social order is an indispensable condition for safeguarding the smooth progress of economic construction. Since last year, social order in our province has improved, thanks to the efforts of the party and government organs at various levels as well as the broad masses of cadres and policemen of the political and legal front. But the situation has not been basically changed, and continued efforts are necessary to carry this task through to the end, so as to further improve the situation next year. Good social order is the result of a comprehensive undertaking. Aside from the efforts of the political and legal departments in carrying out their own duties, it is also necessary to mobilize the entire social force for this task in view of the high rate of juvenile delinquency. We must step up education in morality and the legal system among the young people, and pay great attention to the reformation of offenders, particularly young offenders, by operating reformatory schools well. We should show some way out for the offenders and pay attention to the strategy of attack so that the dealing of blows, dividing and demoralizing, and educating and redeeming will all work hand in hand. For the young people who have already served terms of reeducation through labor, elaborate arrangements should be made in collaboration with their families for them to work, to study and to earn their living. They should not be discriminated against or forced to commit crimes again.

Provide More Active Leadership Over Economic Work

Our tasks in 1982 will be very heavy. Governments at all levels must further shift the focus of their work to economic construction, and leading cadres at all levels should pluck up their revolutionary courage and conscientiously improve their workstyle. At present, the mentality and workstyle of some of our leading cadres are incompatible with the developing situation. Apart from the state of laxity and flabbiness in some units, bureaucracy has become a salient problem. Some leading cadres are divorced from the masses and from reality because they do not investigate or study and do not care to understand the people's feelings. Some of them abuse their authority by seeking privileges. Some organs are overstaffed, and the "five too many's" are assuming alarming proportions. All these problems have become serious obstacles to the four modernizations. We must have the determination and take resolute measures to change this situation. The State Council has already decided to simplify the administration, and we should follow the unified national plan of simplification and be well prepared to trim our administrative organs. The provincial government has called on the governmental departments at all levels to devote some time early next year to rectifying their ideology, workstyle and discipline and to eliminating the present state of laxity and flabbiness in leadership. On the basis of this rectification, a system of job responsibility should be set up and perfected so that the duty of every department and every individual will be clearly spelled out. The practice of investigation and study should be actively developed, and some cadres should be selected to visit factories, the countryside, stores, schools and other basic-level units in order to join the basic-level cadres in discussing the solution of problems. Since the beginning of this year, practice has proved the effectiveness of some measures we have taken for improving the style and methods of work in leadership such as holding periodic symposiums to which experts, scholars and social personages were invited; carrying out official business on the frontline of action; and assigning leading cadres to work behind counters, perform weekend cleanups, to participate in labor for public welfare, and to personally attend to letters and visits from the people. These measures must be kept up. Next year, we plan to set up the system of division of work among the responsible comrades of the provincial government by departments, and the system of responsibility for certain jobs among the leading cadres of various commissions and staff offices, and we hope the deputies and comrades will exercise their supervision over them.

Socialist material development must be safeguarded by socialist cultural development. We must let ideology play the leading role as a matter of principle, strengthen political and ideological work, and in particular provide more education and help for the young people. We must intensify education in the four basic principles and cultivate and foster patriotism, revolutionary heroism, and the spirit of dedication as shown by concern for the overall situation and willingness to work selflessly and regardless of personal gain or loss. We should combine revolutionary spirit with a scientific approach, seek truth from facts, and make all-out efforts to do everything humanly possible in defiance of hardship. We must change the mental attitude of being pessimistic and afraid of difficulty, blaming god and men, and hesitating to do anything at all. We must also overcome mental apathy and such unhealthy tendencies as laxity in upholding discipline and attempts to benefit oneself at public expense. We must heighten our vigilance and resolutely resist the corrosive effects of capitalist ideas and lifestyle.

Government personnel at all levels, particularly those engaged in economic work, must take a firm proletarian stand, preserve a sober mind, and guard against bourgeois "sugar-coated bullets." We must build up our confidence and pluck up our courage in our long and unswerving struggle against unhealthy tendencies. The problems that have been brought to light must be dealt with one by one according to the merits of each case. Problems of ideology and understanding can be solved through criticism and self-criticism and through strengthened ideological and political work. Those who have committed serious offenses and yet refuse to repent should be dealt with on the basis of government discipline or criminal laws according to the nature of the offense. In the coming year, we will carry out a general social mobilization, and all people in industrial, agricultural, commercial, academic and military circles, as well as all city residents and children, will join in combining the "five stresses and four points of beauty" activities with city management, school education and regular ideological and political work; in upholding the socialist and communist world outlook, morality and attitude toward labor; in fostering noble thoughts and feelings, and a fine lifestyle and esthetic standard; in changing old habits and customs; in advocating diligence and frugality and opposing extravagance and waste; in adopting new methods of celebration, opposing mercenary marriage and wasteful wedding ceremonies and funerals; and in fostering a healthy cultural life by prohibiting gambling and feudal superstition. All newspapers, radio broadcasting, publications and literary and art groups should launch a campaign centering around cultural development, in combination with learning from Lei Feng [7191 6912], from the Chinese women's volleyball team, from the Gansu Rare Earth Company, and Gangu Printing Ink Plant and other advanced units. They should give wide publicity to advanced collectives and individuals in order to stimulate the sense of the masses being masters of their own affairs and to encourage making contributions to the state.

Fellow Deputies:

Ours is a multinational province, and everything we do should be based on this reality. We must continue to implement the policy of national regional autonomy, and carefully safequard the rights of the local government to regional autonomy. We must strengthen the unity between minority cadres and Han cadres and between the minority people and the Han people; we must strengthen the internal unity of the minorities as well as the unity of various religious sects. In places where people of different nationalities live together, the Han cadres and people should be educated to respect the habits, customs and religious beliefs of the minority people. Bearing in mind the need to promote production and national unity, people in various localities should be concerned with the overall situation and should carefully settle border and pasture disputes in a spirit of mutual understanding and mutual accommodation. Undesirable elements spreading rumors to incite national feuds and to disrupt national unity should be dealt with according to law. As long as we proceed from the unity of various nationalities and pool our efforts, the economic construction in our province will be accelerated.

Let us more closely rally under the leadership of the CCP and the great banners of Marxism-Leninism-Mao Zedong Thought, conscientiously translate the spirit of the Sixth Plenary Session of the 11th Party Central Committee and the Fourth Session of the National People's Congress into action, and strive to do all work well under the spirit of self-reliance and hard struggle for the steady development of the national economy in the province.

9411
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FINANCE AND BANKING

INCOME TAX LAW ON FOREIGN ENTERPRISES EXPLAINED

Beijing CAIZHENG [FINANCE] No 1, 5 Jan 82 pp 15-16

[Text] The "Income Tax Law of the PRC on Foreign Enterprises" has been examined and passed by the Fourth Session of the Fifth National People's Congress. This is an important tax law concerning taxation on foreign enterprises following the promulgation of the "Income Tax Law of the PRC Concerning Joint Ventures With Chinese and Foreign Investment" by the Third Session of the Fifth National People's Congress in September 1980. At present, several foreign enterprises have set up offices and conducted business operations in our country. Foreign enterprises which are cooperating with Chinese enterprises in joint ventures are also increasing in number. Chinese-foreign collaboration in oil and gas development is in progress, and tenders are also to be submitted by foreign oil companies which are collaborating with Chinese enterprises in offshore oil exploration. All this urgently necessitates the existence of a corresponding method for taxation as a basis to be relied upon. Therefore, the promulgation of the income tax law on foreign enterprises is not only essential, but also timely.

The income tax law on foreign enterprises was drawn up as a result of more than one year of summing-up experiences of implementing the income tax law concerning Chinese-foreign joint ventures, of soliciting the opinion of relevant departments and local authorities, and also after thorough research based on consultations with Chinese and foreign legal experts specializing in taxation. The regulation on tax rates and stipulations of the tax law coincides with our actual domestic conditions and generally-accepted international practices. If we earnestly carry out this tax law, it will augur well for the absorption of foreign capital, expedition in the development of economic collaboration and interflow of technology with foreign countries, as well as the handling of the tax collection relationship between nations.

At present, foreign enterprises which have established offices in our country--either operating independently or through joint ventures with their Chinese counterparts--vary in their business scale. Some make relatively small profits, others huge. In the light of this situation, and based on the principle of equal treatment to all concerned, irrespective of nationality and type of business, including oil, we must adopt one uniform tax law, levying income tax based on above-norm, graduated tax rates. In the tax law, we shall divide tax rates into five classes, depending on the gross annual profit of the enterprises concerned. The lowest class is for enterprises whose business revenues are less than 250,000 renminbi, and its tax rate shall be 20 percent; the highest class is for enterprises with more than 1 million renminbi profit per business year, and its tax rate shall be 40 percent. At the same tax-levying time, enterprises are also required to pay an additional 10 percent tax to the local authorities, based on the annual gross profit. Combining the national and local income taxes, the tax burden rate thus varies between the lowest 30 percent and the highest of nearly 50 percent. This tax bite is not only below the level levied in a number of developed countries, but also in many developing countries. Thus, this tax law is not only adjustable to the varying conditions of enterprises, big and small, but can also avoid contradictions with foreign governments regarding tax exemption problems; therefore, it is advantageous for the promotion of joint productive ventures between foreign and Chinese enterprises, particularly in the attraction of foreign investment in large oil development enterprises.

In the wake of the continual development of our economic collaboration with foreign countries, not only is the number of foreign enterprises operating either independently or through joint ventures in our country increasing with each passing day, China-originated dividends, interests, rentals and franchise fees earned by absentee foreign enterprises are also flourishing. Our tax law stipulates that such foreign enterprises pay 20 percent of their income derived in China, the amount involved to be deducted directly by the payer before making the remittance. This is what is generally known as the withholding tax. Levying such tax is a relatively common practice all over the world, with the rate generally set at 20 to 30 percent. We do not levy this kind of tax, while the foreign enterprises concerned pay it as usual to their respective governments. It is logical and imperative for our government to levy this kind of tax, which is advantageous for safeguarding our nation's economic interests. Based on the principle of equality and mutual benefit, we should sign a government-to-government agreement with foreign countries concerned to prevent double taxation, in which we can lower the rate of withholding tax in order to further develop economic and technological collaboration.

To encourage foreign enterprises to invest and operate in our country, the tax law also stipulates certain preferential treatment. For example, those engaged in agriculture, forestry, husbandry and other endeavors with marginal profits are exempted from paying tax for one year, starting from the initial profit-making year, and are obliged to pay half of the fixed tax rate for two years. Upon expiration of a decade of tax-exemption and tax-reduction period, the enterprises concerned may apply for a further 15 to 30 percent tax reduction. As another example, interests gained by the International Monetary Fund from its loans to the Chinese government and national banks may be exempted from income tax deduction. By the same token, foreign banks which extend "soft" loans to the Chinese national banks are not obliged to pay tax on interests accruing therefrom. These favorable terms have a positive effect on our utilization of foreign capital for carrying out our socialist modernizations.

With regard to the 10 percent local income tax stipulated in the tax law, provincial, municipal and autonomous people's governments may reduce or exempt taxation to small-scale or little-profit joint ventures accordingly. This will be beneficial to the local authorities in line with national policy and to the requirements for developing local economy, as well as the handling of problems of local tax exemption and reduction in a flexible manner.

The income tax law on foreign enterprises is one of the major economic regulations concerning taxation of foreign enterprises. It is strong in policy and it has great external effect. Under the guidance of the local people's government, all levels of tax organs must faithfully carry out this tax law, earnestly improve their working method, strengthen the tax collection management, and also strenuously conduct publicity, so that all foreign enterprises can abide by the tax law regulations and pay their taxes fully and on time.

9300
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PRESENT SITUATION OF STAINLESS STEEL DISCUSSED

Beijing GANGTIE [IRON AND STEEL] in Chinese No 11, 1981 pp 70-76

[Article by Lu Shiying [7120 0013 5391] of the Central Iron and Steel Research Institute, Fushun Steel Works: "The Present Situation of Stainless Steel in China"]

[Text] Stainless steel is an important corrosion-resistant material. Whether in the development of the frontier industries of atomic energy and space navigation or in sectors of the national economy such as chemical engineering, petroleum, power, light industry and textiles--none of them can do without stainless steel. The production of stainless steel and the level of scientific technology are to a definite degree important signs of the level of development of the special steels industry of a nation.

In foreign nations, stainless steel was successfully developed around 1912 and 1913, and industrial production followed. During the past decade, the production of stainless steel in the United States has been 1.3-1.5 million tons per year, but Japan's stainless steel production has surpassed the United States since 1970 and it now leads the world with a current annual production reaching 1.9-2.2 million tons. Our nation began to produce stainless steel in 1952. We started out from nothing and over the past 30 years we have realized great progress.

1. Progress

The production of stainless steel has notably increased. There are many varieties and specifications. The types of steel have become a series and the quality is gradually improving. Each special steel plant has popularly carried out technological improvements in varying degrees and has used some new techniques and technologies. At the same time, a specialized scientific and technical team utilizing a definite scale and standard has already been established.

1.1 Production of stainless steel. Our nation's production of stainless steel and rolled steel from 1960 to 1980 is listed in Table 1. During the 1950's, the production of stainless steel in our nation was very low. This was related to the lack of our own stainless steel industry before liberation and the total dependence upon imports for the stainless steel needed domestically. From 1960 to 1970, our nation's production of stainless steel increased rapidly. In 1970,

Table 1. National Production of Stainless Steel and Rolled Steel (10,000 tons)

Year	Type Steel ingots	Rolled steel	Year	Type Steel ingots	Rolled steel
1960	1.5	0.7	1978	8.88	5.3
1965	4.94	2.3	1979	10.0	5.6
1970	6.08	3.0	1980	8.63	4.7
1975	7.30	4.1	Multiple		
1976	5.60	3.2	70/60	4	4.2
1977	6.09	3.4	80/70	1.40	1.50

production of steel ingots reached 60,000 tons a year, while rolled steel reached 30,000 tons a year. Compared to 1960, production increased nearly fourfold, basically establishing a domestic supply of stainless steel for use by the national defense industry. At present, the annual production of stainless steel ingots and rolled steel in our nation has reached the levels of 80,000 to 100,000 tons and 45,000 to 55,000 tons respectively.

1.2 Proportion of stainless steel in the total production of steel. The proportion of stainless steel in the total production of steel in our nation is listed in Table 2. It can be seen that the proportion of stainless steel ingots started out at less than 0.1 percent and reached 0.42 percent by 1970. The proportion of rolled steel reached 0.26 to 0.27 percent. During recent years, the proportion of stainless steel ingots and rolled steel in the total production of steel and steel products is basically between 0.2 and 0.3 percent.

Table 2. Proportion of Stainless Steel in the Total National Production of Steel

Type / Year	As a percentage of steel ingots (percent)	As a percentage of rolled steel (percent)
1960		0.059
1965	0.38	0.26
1970	0.42	0.26
1975	0.30	0.25
1976	0.27	0.21
1977	0.26	0.20
1978	0.28	0.24
1979	0.29	0.22
1980	0.23	0.22

1.3 Varieties of stainless steel products. Since 1970, our nation has been able to manufacture some of the major varieties and commonly used varieties of stainless steel products, such as plate, pipe, steel wire, strips, rods, and forgings. But they are mainly structural steels, and among them, most are hot worked products. During the latter part of 1970, the proportion of shaped steels among stainless steel materials gradually dropped, while the proportion of plate, pipe and strips increased. As of 1980, plate steel already constituted 51.85 percent

Table 3. Varieties and Proportion of Stainless Steel Products in Our Nation

Variety	1973	1980	Variety	1973	1980
Cold rolled					
sheets	13.3	35.12	Hot worked rods	60	23
strips	1.8	2.52	Cold worked rods	1.6	2.11
Hot rolled medium plate	13	16.74	Wire	4.1	1.31
Composite steel plate	0.8	--	Pipe*	4.4	10.16

*All seamless steel pipes

of the stainless steel plate, and the amount of cold rolled sheets already surpassed the hot rolled medium plate. At the same time, the proportion of pipe also notably increased. Table 3 lists the varieties of stainless steel products in our nation for the two representative years of 1973 and 1980 and their proportional relationship.

1.4 Types of stainless steel. Over the past 30 years, the varieties of stainless steel have developed especially rapidly in our nation. This is mainly manifested by the notable increase in the types and quantity of stainless steels our nation is capable of producing. They basically form a series of stainless steels in our nation which can satisfy the needs for various types of stainless steel by our nation's industrial sectors--the chemical industry, petroleum, atomic energy, space flight, navigation, light industry and textiles. At the same time, compared with the level of international development of the types of stainless steel, the gap has visibly lessened.

Table 4. Types of Stainless Steel That Have Been Included in National Standards Over the Years and Their Numbers

Type of steel / Standard grade	Cr stainless steel	Cr-Ni stainless steel	Cr-Mn-Ni$_{(N)}$ stainless steel	Total
Heavy 21-52	9	8	1	18
YB 10-59	19	11	6	36
GB 1 20-75	17	22	6	45

Table 4 lists the types of stainless steel that have been included in the national standard over the years in our nation and their number. It can be seen that as of 1975, our nation already included in the national standard 45 types of stainless steel. The quantity of Cr-Ni stainless steel and Ni conserving Cr-Mn-Ni (N) stainless steel has notably increased. Up to the present, if we include the types of stainless steel recommended, those that have been finalized and have entered production, or those that have been evaluated scientifically and technically and whose production techniques have been mastered, the number of types of stainless steel in our nation approaches nearly 80. Whether they are classified according to composition, structure or according to their property or usage, they basically form a stainless steel series that can satisfy the present need for stainless steel by our nation's various industries.

In 1952, our nation began to produce stainless steel. At the time, our nation apparently lagged nearly 40 years behind other nations. But by the end of the 1950's and the mid-1960's, our nation began to test produce ultralow carbon ($C \leq 0.03$ percent) stainless steel to solve the problem of sensitized intercrystalline corrosion in stainless steel. To overcome intercrystalline corrosion in the solid solution and to solve the problem of tolerance to corrosion by concentrated nitric acid, our nation developed a high Si stainless steel with an Si content of ~ 4 percent. To conserve Ni, our nation developed and produced Cr-Mn-Ni-N stainless steel. To satisfy the demands of the space navigation industry, our nation developed various types of high-strength sedimentation-hardening stainless steel, etc. Compared with foreign nations, the gap has closed to less than 20 years. Since the 1970's, our nation has developed highly pure ($C + N \leq 150$ ppm) high-chromium elemental stainless steel, Cr 18 type and Cr 35 type $\alpha + \gamma$ dual-phase stainless steel, high Mo stainless steel with an Mo content of 4 to 7 percent, and ultralow carbon martensite stainless steel from laboratory research to production by metallurgical plants. Compared to the level of development in corresponding fields abroad, the gap has further decreased to within 10 years. At the same time, our nation has also developed some new types of stainless steel whose properties are superior to similar types of foreign steel, and they have been satisfactorily produced and used.

1.5 Quantity of stainless steel. The quality of our nation's stainless steel is gradually improving. Up to the present, the percentage of stainless steel ingots and rolled steel that are up to standard has reached above 95 percent and 90 percent respectively. Some enterprises have produced stainless steel products of a standard approaching that of foreign levels in the content of gases, nonmetallic impurities and harmful elements. The comprehensive percentage of finished stainless steel products throughout the nation is 52 to 56 percent. The percentage of finished products of subvarieties is 60 to 80 percent for forged products, 63 to 80 percent for hot rolled rods, 50 to 65 percent for cold drawn rods, 60 to 78 percent for hot rolled medium plate, 50 to 70 percent for cold rolled sheets, 40 to 59 percent for wire, 40 to 60 percent for pipe (the percentage of finished products of high-quality stainless steel pipe is 20 to 30 percent).

1.6 Enterprises producing stainless steel have carried out preliminary improvements, introduced some new types of equipment, and used some new techniques and new technologies. During the 1960's, the Changcheng Steel Mill imported the hot extrusion press and the large electron beam furnace. At the beginning of the 1970's, the Taiyuan Steel Works built a medium plate shop of an annual capacity of 100,000 tons with basically complete followup processes. It also imported equipment and the cold rolling stainless steel plate rolling shop of an annual capacity of 35,000 tons which is relatively advanced technologically, and it designed and built a 6 t AOD tempering furnace. The third plant of the Shanghai Steel Works was rebuilt and it achieved notable results in the production of stainless steel plate. This plant not only developed from the original capability of producing only 1,000 x 2000 mm medium-thickness plate to the present capability of producing 1400 - 1600 x 4000 - 6000 mm medium-thickness plates; also, its production of stainless steel sheet and medium-thickness plate in 1980 constituted 67 percent and 89 percent of the national production respectively.

At the same time, the percentage of finished products is also high and the quality is good. The Dalian Steel Mill designed and built a 10 t VOD tempering furnace and it has begun production. The Fushun Steel Works imported a 30 t VOD furnace and it has already begun production. Its 6 t vacuum induction furnace has already been test run. The main equipment of the production line for stainless steel pipe of the fifth plant of the Shanghai Steel Works is already basically complete and it is actively satisfying the needs of the domestic market for stainless steel pipe. At present, it is building a shop capable of producing small-diameter long stainless steel pipe (> 14 m). Some effective new technologies, new techniques such as electroslag remelting, liquid slag and solid slag protective casting have also been popularly utilized by the various special steel plants.

1.7 A specialized stainless steel scientific and technical team utilizing a definite scale and standard has already been established. At present, there are 150 to 200 scientific and technical personnel above the assistant researcher level and engineers dedicated specifically to research in stainless steel technologies, materials, properties and theory in the institutes and research academies directly subordinate to the Academy of Sciences and the departments of the State Council. Most of them have 15 - 20 years of working experience or more. In addition, the major special steel plants that produce stainless steel also have stainless steel research laboratories (groups), and there are some 150 to 200 people engaged in testing and developing production technologies, quality and new stainless steel materials. The research institutes belonging to individual provinces and cities also have scientific and technical personnel engaged in stainless steel work. The number of scientific and technical personnel involved in stainless steel throughout the nation already reaches 400 to 450 people.

2. Problem

Even though our nation's stainless steel production and scientific research over the past 30 years have achieved great progress, yet, compared to the needs of our nation's national economy and national defense buildup and compared to the advanced international levels in stainless steel, the gap is still very wide. Affecting the further development of stainless steel are the following problems.

2.1 During the past 10 years, the proportion of stainless steel has been small, the rate of increase has been slow, and the problem of insufficient production is becoming more outstanding. During the 10 years from 1971 to 1980, our nation's steel production increased onefold, but the production of stainless steel increased only 42 percent. The rate of increase in stainless steel was far below the rate of increase in steel. Throughout the world, and especially in some industrially advanced nations, the rate of increase of stainless steel has always been higher than the rate of increase of steel, so the proportion of stainless steel in the production of steel has risen year by year. At present, this is generally about 1 percent, and the percentage in Japan has reached 2 percent (see Table 5). Now, our nation's production of steel is about one-third that of Japan and one-fifth that of the United States, while the production of stainless steel is only 1/22 that of Japan and 1/19 that of the United States. Because the proportion of stainless steel in our nation is small, the rate of increase is lower than the rate of increase of steel, so during the past 10 years, the problem of a shortage of stainless steel has been very outstanding. The massive

Table 5. Statistics of Foreign Stainless Steel Production. (Unit: 1000 t)

		World**			Japan		
Year		A	B	A/B, percent	A	B	A/B percent
1960		2,150	341,200	0.63	238	22,138	1.08
1965		3,210	459,400	0.70	528	41,161	1.28
1970		4,950	596,400	0.83	1,643	93,322	1.76
1971		4,290	583,800	0.73	1,404	88,557	1.59
1972		5,000	631,600	0.79	1,421	96,900	1.47
1973		6,250	698,700	0.89	1,995	119,322	1.67
1974		6,650	709,800	0.94	1,910	117,131	1.63
1975		4,630	647,300	0.72	1,543	102,313	1.51
1976		6,250	678,300	0.92	2,066	107,399	1.92
1977		6,430	673,000	0.96	2,032	102,405	1.98
1978		6,700	712,200	0.94	1,944	102,105	1.90
1979		7,500	745,400	1.01	2,269	111,752	2.03
Multiples	70/60	2.3	1.75		6.9	4.21	
	79/70	1.51	1.25		1.38	1.20	
	79/60	3.49	2.18		9.53	5.05	
Annual average increase percent	70/60	8.7	5.7		21.4	15.5	
	79/70	4.7	2.5		3.7	2.0	
	79/60	6.8	4.2		12.6	8.9	
Forecast	1985 (10,000 tons)	896~980	89,600~93,300	1~1.05			
	1990 (10,000 tons)	1020~1233	102,000~112,100	1~1.1			

**Not including production in such nations as the Soviet Union

A -- Production of stainless steel ingots
B -- Total steel production (steel ingots)

amounts of stainless steel needed by such industries as the chemical industry, petroleum, light industry, textiles, and medical science have had to continue to rely on imports. According to statistics, for a relatively lengthy period, the amount of stainless steel products imported into our nation will generally be between 35,000 and 45,000 tons per year, almost the same as the annual amount of stainless steel products produced domestically. The year with the highest amount of stainless steel imports in the past was 1972 (58,000 tons), greatly surpassing the amount of stainless steel products produced by our nation that year (41,000 tons). It should be pointed out that the amount of stainless steel imported each year does not include the tens of thousands of tons of stainless steel products needed by such facilities as whole chemical fertilizer plants, petrochemical industry facilities, synthetic fiber plants, oil refineries and thermal power plants which have been imported in large numbers during recent years. Therefore, to satisfy the needs of the domestic market, the future for the development of stainless steel is great.

2.2 Expanding the range of specifications and varieties of stainless steel products and improving the quality of stainless steel are urgent tasks. The stainless steel products, varieties and specifications produced by our nation are not complete. The percentage of useful steel products is low and the quality of the products is not stable enough. The quality of some steel products is far below the advanced levels of similar foreign products. This is also another outstanding problem in the inability of stainless steel to satisfy the needs of the domestic market.

Although in recent years the composition of the varieties of stainless steel products in our nation has gradually evolved from mainly structural steel at the beginning of the 1970's to the present situation in which plate constitutes about 50 percent, at the same time, among the imported stainless steel products, plate and pipe constitute 65 to 75 percent (see Table 6). In foreign nations, plate mainly consists of cold rolled plate and strips, constituting about 60 percent of the total production of stainless steel products. Among them, cold rolled strips are equivalent to or even surpass the amount of cold rolled plate (see Table 7). In our nation, cold rolled plate and strips constitute only about 30 percent, and of these, cold rolled strips are very few (~2 percent). In addition, cold rolled plate of a width larger than 1.25m, cold rolled strips of a width larger than 400mm, thick plate of a thickness greater than 30mm, hot rolled plate of a width larger than 2.6m, seamless pipe of a diameter larger than 159mm or a length longer than 14m, and stainless steel welded pipe of various specifications still cannot be produced by our nation up to the present time. The existence of these problems is related mainly to the long period of incomplete stainless steel production facilities in our nation.

Table 6. Quantity and Types of Stainless Steel Products Imported by our Nation During Recent Years

	Amount imported	Structural steel		Plate steel		Pipe	
Year	10,000 tons	10,000 tons	percent constituing	10,000 tons	percent constituting	10,000 tons	percent constituting
1973	4.2	0.672	66	2.100	50	1.428	34
1976	3.1	1.000	30	1.500	50	0.600	20
1977	3.2	2.800	25	1.400	44	1.000	31
1978	4.6	1.3000	28	2.300	50	1.000	22
1979	4.7	1.700	36	2.100	45	0.900	19

The comprehensive percentage of finished stainless steel products in our nation has always been low, only 52 to 55 percent, or 15 to 20 percent lower than such advanced nations as the United States and Japan. This is related to the backwardness of our nation's stainless steel ingot casting technology.

The internal quality and external appearance and quality of our nation's stainless steel products still does not satisfy the needs of some users, and they are even less able to compete with foreign stainless steel imports. The main problem is that the content of gases and impurities in the steel is still high.

Table 7. Production (t), Types and Proportion* of Stainless Steel Products of the United States and Japan

(1)	(5) 年(4)	(6)	(9) (10)	(9) (11)	(12) (10)	(12) (11)	(13)	(14)	(15)	(16) (17)	(16) (18)	(19) 其它	(20)
美国 (2)	1973	28.722 (3.4)	17.886 (2.1)	258.712 (30.3)	15.930 (1.8)	273.495 (31.9)	56.588 (6.6)	44.811 (8.2)	70.428 (8.2)	29.838 (3.5)	13.157 (1.5)	45.033 (5.5)	
	1975	84.000 (9.9)	434.000 (51.2)				12.000 (14.2)	103.000 (12.1)		107.000 (12.6)			848.000 (100)
	1976	68.500 (6.1) \	702.000 (62.7)				90.000 (8.0)	132.000 (11.8)		128.000 (11.4)			1120.000 (100)
	1977	92.000 (7.5)	753.000 (61.4)				87.000 (7.1)	149.000 (12.2)		145.000 (11.8)			1226.000 (100)
	1978	94.000 (7.1)	794.000 (60.1)				113.000 (8.6)	158.000 (12.6)		161.000 (12.2)			132.000 (100)
	1979	111.000 (7.7)	842.000 (58.2)				130.000 (9.0)	176.000 (12.1)		187.000 (13.0)			1446.000 (100)
(3) 日本	1979	(7) 122.000 (8) 82.666	303,787		840.411		229.094	159.081		118.037			1855.074 (100)

* percent in parentheses

The crystalline granularity of austenitic stainless steel is uneven, the fluctuation is large, the intercrystalline corrosion is still unsuitable, the grade of the a phase in the steel is sometimes still too high, and the problem of case-hardening of ultralow carbon stainless steel has not been thoroughly solved. The control of the proportion of the phases in dual-phase stainless steel is not strict, and the properties of the steel fluctuate greatly. Many steel materials still have surface defects, such as dents, pockmarks, and scratches. Problems still exist in the shine of stainless steel plate, the tolerance of the plate, and unevenness in the plate structure and properties. These are direct reflections of the backward technological facilities, the low technical standard, and the lag in business management in our nation's production of stainless steel.

In addition, the price of our nation's stainless steel products has a lot of potential for adjustment. Under the prerequisite of improving the percentage of finished products and improving quality, a large-scale price reduction in stainless steel products is entirely possible. Therefore, we still must appropriately adjust the internal properties of stainless steel products and rolled stainless steel and the comparative prices among Ni, Cu, Cu-Ni alloy and Ti metals to facilitate massive application of stainless steel.

3. Prospect

In summary, our nation's development of stainless steel has realized great progress but there are still some problems that need to be solved. During the period of readjustment of the national economy, we must quickly change the backward situation of stainless steel production facilities and technology and strengthen scientific research in stainless steel, along with correctly determining the proportion of stainless steel in our nation's steel production and its proportion among steel products, strengthening business management, grasping the trends in the domestic stainless steel market, rationally readjusting the price of stainless steel and appropriately controlling stainless steel imports and similar measures in order to further increase the production of stainless steel, expand the varieties, improve the quality, reduce the price, fully satisfy the needs of the domestic market, serve the "four modernizations" better, and further create conditions for our nation's stainless steel to enter the international market.

3.1 Quickly changing the backward situation of our nation's stainless steel production facilities and technology is the most fundamental measure to increase our nation's production of stainless steel, to expand the varieties, to improve the quality and to reduce the cost.

Generally speaking, our nation's present stainless steel production facilities and technology are still at the level of the early 1960's. The main processes, auxiliary processes, preceding and followup processes are generally not matched; the degree of mechanization and automation is low; strict quality inspection and monitoring are lacking; and such problems exist commonly. Compared to foreign stainless steel industries which widely utilize the three major technological renovations of tempering in baths, continuous casting, and the Sendzimir 20-roller for cold rolling of coiled strips as the main types of work and which widely utilize stainless steel production processes characterized by large scale, continuous operation and automation, our nation lags behind at least by 20 years. For example, in 1978 throughout the world, 73 argon-oxygen decarburation furnaces (AOD) and a fairly large number of vacuum-oxygen decarburation (VOD) double-tempering facilities with capacities of 4 to 150 tons had already begun production for tempering in baths. Over 80 percent of the stainless steel they produced was double tempered. This is an important way to increase the production of stainless steel, improve the quality and reduce the cost. It is also a fundamental measure to insure that the stainless steel possesses a high degree of purity. Up to 1980, almost 100 percent of the stainless steel produced in our nation was made in electric arc furnaces. Recently, 30 percent of the stainless steel produced in the world has been made by continuous casting. The proportion of stainless steel produced in Japan by continuous casting surpasses 50 percent, and the proportion of plate blanks made by continuous casting reaches 90 percent. In the near future, this may reach 95 percent. Continuous casting serves an important function in improving the percentage of finished products of stainless steel, improving quality (especially evenness of structure and properties), conserving energy, reducing cost, and even protecting the environment. At present, our nation still uses the traditional ingot casting-open blank technology 100 percent. As early as 1971, the world had 142, 20-roller Sendzimir rollers for rolling stainless steel strips (plate). Thus, the efficiency of producing stainless steel plate (strips) improved; the plate structure, dimensional tolerance and surface quality were insured; and the cost of stainless steel plate (strips) was greatly reduced. At present, our nation has only one such roller, and it is mainly used for producing carbon steel strips. Therefore, we believe that the production of stainless steel should be planned and carried out in steps to gradually realize the three major technological renovations of tempering in baths, continuous casting and using the Sendzimir 20-roller for cold rolling of coiled (plate) strips.

But because our nation is now in the period of readjusting the national economy, because there are many enterprises in our nation which can produce stainless steel, and because there are a large number of major facilities, the potential is great. We cannot abandon these facilities and build new plants. At the same time, on the basis of the present situation of the facilities, if they are slightly improved, our nation's stainless steel production can be quickly increased by more than onefold. Therefore, realizing the three major technological renovations must be combined with renovation and rebuilding of presently available facilities at the enterprises. We must complete the facilities of old plants, renovate and carry out the policy of "filling the gaps, establishing efforts to develop potential, and encouraging joint cooperation between enterprises" as priorities, and quickly build special production lines and production plants for stainless steel in order to improve the ability to produce stainless steel. For example, the Taiyuan Steel and Iron Company already has a medium plate shop with an annual capacity of 100,000 tons and a cold rolling stainless steel plate rolling shop with an annual capacity of 35,000 tons. Measures must be taken quickly for the production capability and the quality of products to reach the designed standard so that the Taiyuan Steel Works can become our nation's production base for stainless steel sheet and medium plate in the 1980's. We must fully utilize the 30 t VOD tempering furnace, the 6 t vacuum induction furnace imported from abroad by the Fushun Steel Works, and similar processing facilities for concentrates and high-speed steel pieces. Not only can that plant produce highly pure and highly even stainless steel sheet and highly precise stainless steel rods and forged works itself, but it can also cooperate or enter into joint ventures with the Anshan Steel Works and the Wuhan Iron and Steel Works. Fushun can provide the ingots and blanks, the Wuhan Iron and Steel Works can produce stainless steel medium and thick plate and composite plate, and the Anshan Steel Works can produce stainless steel seamless pipe of a diameter ≤ 159mm. The preceding work process, the followup work process and the auxiliary work process of the hot extrusion press of the Changcheng Steel Mill must be completed so that that mill can become the base for producing medium- and small-diameter and high-precision stainless steel pipe and special structural steels. The Chengdu Seamless Steel Pipe Plant can be appropriately rebuilt so that it can become the base for producing large-diameter stainless steel pipe and general purpose medium- and small-diameter steel pipe. It is suggested that large enterprises that produce stainless steel plate and strips such as the Taiyuan Steel Works and the third mill of the Shanghai Steel Works use the technology of continuous casting of stainless steel plate and blanks and consider establishing production lines for stainless steel welded pipe. The production line for producing stainless steel pipe of lengths longer than 14m at the fifth mill of the Shanghai Steel Works, which performs more stainless steel pipe production tasks and which has relatively better conditions, should be completed to fill in the blank in our nation's production of long stainless steel pipe at present. Other special steel mills, such as the Dalian Steel Mill, the Chungqing Special Steel Mill, and the Qiqihar Steel Mill, can be appropriately rebuilt by considering the characteristics of their facilities and products so that the stainless steel products produced by these mills will have their own special characteristics.

During the course of renovating and rebuilding old plants, we must be equipped with the means for advanced physical and chemical testing in order to control the quality of stainless steel products. The new technologies, new techniques and new equipment which have been tested and shown to produce visible results in our nation should be continued so that they can develop their function in production.

3.2 Strengthen scientific research in stainless steel.

Because of the limitations of the level of development of our nation's industry and needs, generally speaking, our nation's stainless steel technology, equipment, materials and their application and basic theoretical research at present are still at a stage of "imitation." Basically, we study whatever advanced foreign nations are studying. We lack innovation and we do not have much of our own special characteristics. Among these efforts, technology, equipment and theoretical research are even weaker when compared to research in stainless steel materials. In materials research, research in the quality of stainless steel lags behind research in new types of steel.

At present, strengthening scientific research in stainless steel requires placing in the forefront the digestion and absorption of advanced foreign technology and introduction of large foreign equipment, improvement of the quality of stainless steel, and applications research of new technologies and new techniques. In the course of this, scientific research, production and design departments must coordinate with each other closely. We must emphasize research work on relatively long-range subjects concerned with the theory of application and basic theory which can serve a major function in increasing the production of stainless steel, improving the quality and reducing the cost. Scientific research strength in this aspect has been weakened during the past 15 years. Measures must be taken to appropriately strengthen this force.

Although the development of various types of stainless steel has a history of nearly 70 years, our nation has only realized relatively outstanding achievements in the study of different types of stainless steel during the past 30 years. Research in new types of stainless steels that are tolerant to various kinds of localized corrosion is still an urgent task in the realm of research in stainless steel materials in our nation and abroad. According to statistics of the past 20 years, the number of accidents caused by localized corrosion of various types of stainless steel production equipment using massive amounts of 18-8, 18-12-Mo_2 and such Cr-Ni austenitic steels has constituted over 90 percent of the total number of accidents involving stainless steel. Among them, the incidence of stress corrosion cracking is the highest, constituting 40 to 60 percent, followed by corrosion in holes and corrosion in seams (constituting 20 percent) and corrosion fatigue (constituting 10 percent). For this, the development of stainless steel tolerant to localized corrosion should mainly be concentrated on the development of steel materials tolerant to stress corrosion, corrosion in holes, corrosion in seams and corrosion fatigue. At the same time, we should study inexpensive stainless steel with good comprehensive qualities aimed at the development needs of the light industry and the textile industry during this period of readjustment.

Breakthroughs in some major new techniques and new technology can lead to major improvements in the properties and quality of stainless steel. And the production of some new types of stainless steel frequently cannot be separated from the use of new technologies and new techniques. For this, research in new materials must be closely combined with research in new technologies and new techniques.

At present, our nation can produce nearly 80 types of stainless steel. It is very important to let the users understand the properties of these materials so they can select them correctly and use them rationally. For this, scientific research personnel must understand the needs of the domestic market, and they must explain the properties of the various types of steel to the users and help the users to correctly select the stainless steel materials.

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CONSTRUCTION

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[Article by Ding Hua [0002 5478] and Wu Xingguo [0702 5281 0948] of the Department of Economic Research for Capital Construction of the State Construction Committee: "Correct the Orientation of Capital Construction to Increase the Economic Returns from Investment"]

[Text] In the 32 years since the founding of the People's Republic of China, great success has been achieved in China's capital construction. But it has also costed us dearly. It is quite necessary to seriously sum up historical experience so as to improve China's capital construction and increase the economic returns from investment.

China's capital construction has been carried out on an extremely poor basis that was left over from the old China. For more than 30 years, the people throughout the country, under the leadership of the party and through hard struggle, have achieved great success in capital construction, and capital construction has been made full use of. From 1950 to 1980, the total amount of investment in capital construction was over 700 billion yuan, the total amount of newly increased fixed assets was nearly 500 billion yuan, of which the original value of newly increased industrial fixed assets was 26 times the value of 12.4 billion yuan of industrial fixed assets which had been accumulated in nearly 100 years in the old China. In the past 32 years we have built 3,500 large and medium-sized projects and several hundred thousand small-sized projects, gradually established an independent and comparatively complete system for industry and for the national economy and formed great production capability. We have set up new and developing industrial departments that deal with petrochemical and electronic industries. In agriculture, we have carried out large-scale construction of water conservancy works, repaired and built 163,000 kilometers of embankments throughout the country and built large numbers of irrigation projects. The irrigated area of land throughout the country is as high as 45.2 percent of the total area of cultivated land. Besides, we have carried out a great deal of nonproduction construction. There has also been great improvement in the arrangement of the productive forces. In addition, we have fostered and trained a construction contingent that has a certain technological level.

However, the road of China's capital construction has been tortuous. Investment in capital construction brought comparatively good results in a certain period of time. Take for example the period of the First Five-Year Plan and the period of readjustment in the 1960's. But the results of investment in capital construction were comparatively bad in another period of time. Take for example the period of the Second 5-Year Plan and the period of the "great cultural revolution." During the "great leap forward" from 1958 to 1960, capital construction was carried out in a rash manner. As a result, the amount directly wasted and lost from investment was as high as 20 billion yuan. In the 10 years of internal disorder, the fixed assets that could be made available only accounted for 60.5 percent. From 1964 to 1975, the investment in construction on the third front was only half of the investment in capital construction throughout the country, but the newly increased fixed assets only accounted for 51 percent. In the fixed assets that had been attained, many projects had no comprehensive production capability because their quality was bad, arrangements were irrational and incomplete set of equipment were formed between the internal and external projects, therefore, they could not bring beneficial results.

Under the guidance of the spirit of the "resolution on certain questions in the history of the party since the founding of the PRC" adopted at the 6th plenary session of the 11th Party Central Committee, reviewing the historical course of capital construction in the past 30-odd years has made us understand the following: When capital construction is in conformity with the basic law governing the socialist economy and the law of the planned and proportionate development of the socialist economy, when it is in compliance with the state's financial and material resources, can keep an overall balance, serve the development of social productive forces and meet the needs of the society, we can have good economic returns from investment. On the contrary, if we are overanxious for quick results, depart from this target and undermine the overall balance, we will have bad economic returns from investment. Now I would like to approach the following problems by referring to the main historical experiences in China's capital construction.

I. The Scale of Capital Construction Must be in Conformity with the National Strength, This is the Prerequisite for Healthily Developing Capital Construction and for Getting Good Economic Returns From Investment

The scale and speed of capital construction cannot be determined at will. They are restricted by certain objective material conditions. The investment in capital construction mainly comes from the part of the national income used for accumulation. If the accumulation rate is fixed appropriately, the scale and increase in speed arranged on this basis for the investment in capital construction are on the whole appropriate, and good economic returns can also be obtained. Exceeding this basis will often make the scale of capital construction too large and the speed of capital construction too fast, and good economic returns cannot be obtained. Our past mistakes mainly stemmed from overlooking the restriction of this objective material basis. During the First 5-Year Plan, the scale of capital construction which was centered on the 156 key projects was on the whole in conformity with the national strength. As a result, the economy developed rapidly, the proportion among various economic departments was in coordination, the market was thriving, prices were stable and the people's livelihood improved remarkably.

All this fully shows that at that time we acted according to our capability and could maintain an overall balance. This was good experience in having an appropriate scale and speed for capital construction during the First 5-Year Plan. During the "great leap forward," the scale of capital construction expanded rapidly, the average accumulation rate rose from 24.2 percent during the First 5-Year Plan to 40.39 percent, the amount invested accounted for 59.94 percent of the revenue of the corresponding period. As a result, the proportion of the national economy was seriously out of balance and large numbers of capital construction projects had to be stopped. During the 3 years' readjustment, the accumulation rate was readjusted to the level of 22.7 percent, balance was basically resumed again between the scale of capital construction and the state's financial and material resources, and the economic returns from investment remarkably rose and changed for the better. From 1970 to 1978, following the rash advance of capital construction, the average accumulation rate rose to 33.23 percent, and the proportion of the national economy was once again serously out of balance. In 1978 the national income increased by 600 percent over 1952, but the investment in capital construction increased by 4,100 percent, which exceeded what the state's financial and material resources could tackle. It was inevitable that the balance of revenue and expenditure was affected. One important reason for China's financial deficits in 1979 and 1980 was that the scale of capital construction was too large.

In view of the national strength, we must arrange the scale of capital construction according to our own capability, and handle well the relations of the following 2 aspects:

1. Correctly handle the relations between construction and production: Fundamentally speaking, production is the basis of capital construction. The scale of capital construction determines the quantity of surplus products the material production departments are able to provide. Therefore, the prerequisite of capital construction is that it must not be detrimental to the production of the relevant year. This is a basic principle. For a period of time in the past, in our guiding principle, capital construction was stressed to the neglect of production, and capital construction was expanded at will. As a result, production was affected. For instance, the basic depreciation funds for enterprises originally had the characteristics of replacement funds and should first have been used for guaranteeing the renewal and transformation of the fixed assets of enterprises so that the production capability of the existing enterprises could be brought into full play and gradually be promoted. But in our actual work, we have for a long time used the greater part of the depreciation funds for carrying out capital construction and opening up new enterprises so that it has been difficult to carry out smoothly the renewal and transformation of the equipment of old enterprises. In some places and departments, even circulating funds and funds earmarked for large-scale repair were diverted for carrying out capital construction. In the allocation of materials, capital construction was given first priority, while the rest of the materials were allocated to enterprises for renewing and transforming their projects. The materials for production were even used for capital construction. This practice of taking the branch for the root only ended up with undermining production and construction. Historical experience

has proved that the principle of "production first, then capital construction" and of "first tap potential, renovate and transform, then build new enterprises" put forward by Comrade Chen Yun is correct. Only when the relations between capital construction and production are handled according to the principle of "production first, then capital construction," can capital construction and production promote each other and complement each other.

2. Correctly handle the relations between accumulation and consumption. In other words, consideration must be given to both capital construction and the people's livelihood. In the First 5-Year Plan period, capital construction advanced by leaps and bounds, and the people's livelihood rose year by year. This proves that the proportion between accumulation and consumption and the scale of capital construction at that time were basically appropriate. During the "great leap forward," the funds for consumption were reduced to 60 percent of the national income, accumulation and the scale of capital construction were expanded by tightening up on consumption. This inevitably affected the improvement of the people's livelihood. In 1978, the national income increased by 199.7 percent over 1957, and the amount for investment in capital construction by 248.8 percent. But there was no increase in the actual salary of the staff and workers.

Under the socialist system, the fundamental aim of accumulation is to meet the increasing needs of the material and cultural life of the people. Accumulation stems from the profits of the material production departments. Therefore, we must improve our management in production, economize on energy and materials, lower the cost, raise the labor productivity and expand accumulation by increasing profits. In no case should we try to think of a way out from allocation and reallocation. In the past, in the proportion between accumulation and consumption, there was a mistaken viewpoint that one-sidedly emphasized accumulation to the neglect of consumption. This viewpoint maintained that accumulation might be expanded at will and that the more accumulation we had the better. It looked upon consumption as a negative factor which could be reduced at will. At that time, we only saw the decisive role of production in consumption, but failed to see that consumption provided a market for production and that it positively created the needs for new production. Just as Marx pointed out: "Without production, there will be no consumption, but without consumption, there will be no production either, because in such a case, production will have no aim. Without needs, there will be no production, and consumption can reproduce needs." (Collected Works of Marx and Engels," "Preface to 'Critique of Political Economics,'" Vol 2, p 94)

Summing up what has been mentioned above, we know that the scale of capital construction is a major and imported problem in our economic construction. It can produce a great impact and must be dealt with carefully. In a speech made as early as January, 1957, Comrade Chen Yun pointed out: "The scale of construction must be in conformity with the state's financial and material resources. Whether it is in conformity with the state's financial and material resources is the demarcation line of whether the economy is stable." As to how to control the scale of capital construction, Comrade Chen Yun put forward the famous three great principles of equilibrium: Equilibrium in finance, equilibrium in credits and equilibrium in materials. In respect of the order of the allocation of materials, he put forward that first we had to guarantee the minimum needs of the production departments for daily life necessities, that second we had to guarantee the production needs for the necessary means of production and that the rest was to be used for capital construction. This basic experience is in compliance with the national condition and objective economic law of our country. It is a basic principle which should be observed in correctly arranging and controlling the scale of capital construction. In short, it means acting according to our capability. We should apply and develop this experience under the new situation. In short, it means acting according to our capability. We should apply and develop this experience under the new situation. This is a major and important problem which we should solve and are solving in the present readjustment of the national economy. If we really want to carry out capital construction according to our capability, we must regularly investigate and study, be very cautious, regularly carry out overall calculations on our national strength and be very careful about policymaking. In this way, we can guarantee that the scale of our construction will conform to the national strength, and stable increases will be realized in the national economy.

II. It is Necessary to Arrange According to Proportion and in an All-Round Way the Allocation of Investment in Capital Construction, and Advance in Stable Steps While Maintaining an Overall Balance

We must fix the scale of capital construction according to the principle of doing things according to our capability, and rationally allocate investment so as to make its orientation and structure rational. When summing up the experience of the First 5-Year Plan and putting forward proposals for the Second 5-Year Plan, Comrade Zhou Enlai pointed out that the scale of state construction was mainly decided by the amount of funds we were able to accumulate and by how the funds were allocated. In other words, we must rationally solve the problem of the accumulation of funds as well as the problem of the allocation of funds.

The fundamental proportion for the allocation of investment in capital construction must be in conformity with the proportion of investment in agriculture, light industry and heavy industry. In addition, we must arrange well the proportion between the investment in production construction and the investment in non-production construction, the proportion between the investment in newly built enterprises and the investment for the reconstruction and expansion of old enterprises, the proportion of investment in large, medium and small-sized construction projects and the proportion of investment between the coastal and inland areas. In the First 5-Year Plan period, the above proportions for the allocation of investment in capital construction were carefully arranged and basically appropriate. In his article "On the 10 Great Relationships" written in 1956 after extensive investigations and studies, Comrade Mao Zedong scientifically summed up the experience in socialist construction, and in particular put forward a guiding principle that was in conformity with the national condition in respect of the proportion of investment in agriculture, light industry and heavy industry and in respect of the order of the allocation of investment. But for a long period of time afterwards, this correct guiding principle was not conscientiously implemented.

Instead, the arrangement of investment in heavy industry was one-sidedly given priority, and the principle of "taking steel as the key link" was put forward in the arrangement of the national economy. As a result, the economic structure became more and more irrational.

Viewed from the investment structure of the departments, the investment in heavy industry during the First 5-Year Plan accounted for 46.5 percent of the total amount of investment in capital construction. At that time, under the condition that China's heavy industry was extremely backward and that the situation at home and abroad urgently required us to build a heavy industrial base, such an investment proportion was necessary. But the situation changed following the successful completion of the First 5-Year Plan, and the proportion of investment in heavy industry did not drop. Instead, it rose to 56.1 percent in the Second 5-Year Plan period, 57.4 percent in the Third 5-Year Plan period and 57 percent from 1976 to 1978. Giving one-sided priority to the development of heavy industry is an important reason why the scale of capital construction has for a long time been excessively large and difficult to reduce. Within heavy industry itself and even within the iron and steel industry itself, the proportion has developed lopsidedly. For instance, the energy industry, the building material industry, the nonferrous metal industry and communications and transportation have become seriously weak links. This has made it difficult to develop the national economy and put it in a passive position.

Giving one-sided priority to the development of heavy industry and the proportion of investment in heavy industry being too large have seriously squeezed out the investment in light industry and agriculture. Let us take 100 as the total amount of investment in capital construction from 1952 to 1979. The investment in heavy industry accounted for 53.9 percent, the investment in light industry 5.4 percent and the investment in agriculture 12 percent. So the proportion of investments in heavy industry, light industry and agriculture was 10:1:2.2. For 13 years out of the 18 years from 1958 to 1975, the investment in light industry in each relevant year only accounted for 1/12 of the investment in heavy industry, and for 5 years it only accounted for 1/14 to 1/16. The proportion of investment in agriculture during the readjustment period in the 1960's reached 20 to 24 percent, but afterwards it dropped by a large margin. In the 10 years from 1970 to 1979, it only accounted for 8 to 12 percent. Giving one-sided priority to the development of heavy industry has not only disrupted the normal proportion between the two major categories, but also squeezed out the investments in indispensable nonproduction construction such as education, culture, public health, scientific research, housing, city public facilities and service trades. As a result large outstanding accounts have to be settled. In the First 5-Year Plan period, the investment in nonproduction construction accounted for 28.3 percent of the total investment in capital construction. In the periods of the Second, Third and Fourth 5-Year Plans, it only accounted for 10 to 13 percent, which was less than half of the investment in the First 5-Year Plan period.

It is obvious that if the investment in capital construction develops the orientation of giving one-sided priority to the development of heavy industry to the neglect of agriculture and light industry, the larger will be the scale of capital construction, the more extended will be the front, the worse will be the economic returns from investment and the more difficult it will be to improve and promote the people's livelihood. These are the inevitable results of violating the law governing planned and proportionate development.

Of course, heavy industry is very important. This must be ascertained. The problem is that we must correct the orientation and road for building heavy industry. The development of heavy industry must be combined with that of light industry and agriculture and serve light industry, agriculture, the market and the technical innovations of the existing enterprises (including heavy industrial enterprises). Lenin said: "In the final analysis, the manufacture of the means of production is inevitably linked with the manufacture of consumer goods, because the manufacture of the means of production is not for the means of production itself. It is because the needs of the consumer goods manufacturing industrial departments for the means of production increase daily." ("Collected Works of Lenin," "Reply to P. Nezhdanov," Vol 4, p 143) Obviously, giving one-sided priority to the development of heavy industry in isolation is not tenable either in theory or in practice. With regard to the problem of the road for building heavy industry. Comrade Mao Zedong pointed out as early as 1956: "There are two methods for developing heavy industry. One is to develop agriculture and light industry as little as possible. The other is to develop agriculture and light industry as much as possible. In the long term, the former method will make heavy industry develop slower and little will be obtained from its development, or at least it will make the foundation of heavy industry less stable, and after an overall calculation several decades later we will come to know that it does not pay. The latter method will make heavy industry develop faster and much will be obtained from its development, and because it guarantees the needs for the people's livelihood, it will make the development foundation more stable." ("Selected Works of Mao Zedong," "On the 10 Great Relationships," Vol 5, p 269) Historical experience has proved that the road pointed out by Comrade Mao Zedong is correct. It still has realistic significance in correcting the orientation of investment and readjusting the structure of investment.

Since the 3d plenary session of the 11th CCP Central Committee, the Party Central Committee and the state council have put forward correct principles and policies, calling on us to energetically develop the production of consumer goods while stressing that the scale of capital construction should be reduced and the front shortened. In the last 2 years, the structure of investment has remarkably changed towards a rational orientation. Please refer to the following table:

	1978	1979	(percent) 1980
The total amount of investment in capital construction throughout the country	100	100	100
of which: investment in heavy industry	50.9	45.3	42.7
investment in light industry	6.1	6.4	9.1
investment in nonproduction construction	17.4	27	33.7
of which: investment in housing	7.8	14.8	20

Through more than 30 years of capital construction, China already has fixed assets and production capability of a certain scope. In this case, the stress of rationalization of the investment structure should be gradually shifted to technological restructuring in the existing enterprises (including iron and steel industrial enterprises). In addition, weak links should be strengthened. In readjusting the investment structure, we should bear in mind historical experience and lessons, proportionately carry out our plans, maintain an overall balance, prevent over-emphasis of individual departments and prevent new and serious imbalances. Only when we conscientiously and regularly maintain an overall balance, can we get good economic returns from investment.

III. We Must Emphasize Economic Effect in Capital Construction and Pay Special Attention to Practical Results

We must strive for economic effect in capital construction. With less investment and at a faster speed, we should turn over to the state and society as much fixed assets of as good a quality as possible to meet the needs of the whole society. In the First 5-Year Plan period, the utilization rate of fixed assets made available was 83.7 percent. In the 3 years of readjustment, it was 87.1 percent. From 1957 to 1965, it reached 93 percent, which was the highest in more than 30 years. Thereafter, the utilization rate of fixed assets made available dropped by a large margin. In the Second 5-Year Plan period, it was 71.4 percent. In the Third 5-Year Plan period, it was 59.5 percent. In the Fourth 5-Year Plan period, it was 61.4 percent. The utilization rate of fixed assets made available in 5 years out of the 10 years from the Third 5-Year Plan period to the Fourth 5-Year Plan period dropped to between 45 and 55 percent. On the whole, the utilization rate of the total fixed assets made available in the 31 years from 1950 to 1980 was only 70.4 percent, which was very low even after deducting the normal reserves, the necessary accounts to be settled and transferred and the rational expenditures. Much was spent to little avail.

The overextended capital construction front inevitably made the rate of construction projects set into operation drop. According to statistics, the average rate of large and medium-sized construction projects (excluding the projects which were suspended or postponed set into operation each year was as follows: In the First 5-Year Plan period, it was 15.5 percent; in the Second 5-Year Plan period, 8.1 percent; in the 3 years of readjustment, 10.4 percent; in the Third 5-Year Plan period, 11.5 percent; in the Fourth 5-Year Plan period, 9.4 percent; in 1976, 5.7 percent; in 1977, 8.4 percent; in 1978, 5.8 percent and in 1979, 9.7 percent. For a long period of time, the rate of construction projects put into production has been very low. This shows that there have been too many projects under construction and that the funds, materials and labor force tied up in projects under construction (incomplete projects) have been excessive. The investment used for China's incomplete projects made up the following percentage in the investment in each relevant period or year: In the First 5-Year Plan period, it was 62.9 percent, and in the Third 5-Year Plan period, it rose to 175.4 percent; in the Fourth 5-Year Plan period, it was 165.7 percent; in 1976, 210 percent; in 1977, 213 percent. Such high expenses and low efficiency were a heavy burden.

When the rate of projects put into production drops, it means that the time limit for construction is prolonged. According to estimation, every time the time limit for construction is prolonged, for 1 year, 5.5 billion yuan more will be needed for the wages of the construction contingent and other expenditures will increase correspondingly. Therefore, the construction cost will also rise. Please refer to the following table:

	Newly built 450 thousand-ton coal mines		Newly built large and medium-sized cement factories	
	Average time limit (months)	Investment capability (yuan/tons)	Average time limit (month)	Investment capability (yuan/ton)
1st 5-Year Plan period	30	37	28	74
2d 5-Year Plan period	25	28.1	36	97
3d 5-Year Plan period				
4th 5-Year Plan period	52	41.9	73	121
1976-1979	69.6	62.7	90	114

	Average time limit for every 100 kms (months)	Newly built railway line average investment in every km (million yuan)
1st 5-Year Plan period	11.7	0.573
2d 5-Year Plan period	14.8	0.461
3d 5-Year Plan period	16.7	1.734
4th 5-Year Plan period	21.5	1.414
1976-1979	28.8	2.474

A manifestation of the large expenses and low efficiency in China's capital construction was that the increase in production capability for each investment of 100 million yuan was far from the level of the First 5-Year Plan period. For instance, the increase in steelmaking capability for each investment of 100 million yuan in the iron and steel industry was 74,900 tons in the First 5-Year Plan period, 42,700 tons in the Fourth 5-Year Plan period and 37,900 tons from 1976 to 1979, which was not half enough if compared with the First 5-Year Plan period. The increase in coalmining capability for each investment of 100 million yuan was 1,794,500 tons in the First 5-Year Plan period, 838,200 tons in the Fourth 5-Year Plan period and 510,600 tons from 1976-1979, which was only 2845 percent of the quantity in the First 5-Year Plan period. The increase in capability to make spindles for spinning cotton for each investment of 100 million yuan was 146,000 spindles in the First 5-Year Plan period, 99,000 spindles in the Fourth 5-Year Plan period and 111,600 spindles from 1976 to 1979. This means that in the past 30 years, the same amount of investment has brought weaker and weaker new production capability, or in other words, more and more investments have been needed to achieve the same amount of increase in production capability. Even if it was calculated at fixed prices or even if the price factor was deducted, there was still the tendency of large expenses and low efficiency in capital construction.

Another manifestation of the large expenses and low efficiency in China's capital construction was that the recovery of investment took a very long time. The amount of investment required in various periods for each increase of 1 yuan in the national income was as follows: In the First 5-Year Plan period, it was 1.68 yuan; in the Second 5-Year Plan period, it rose by a large margin to 73.7 yuan; in the 3 years of readjustment, it was 0.92 yuan; in the Third 5-Year Plan period, it was 2.32 yuan; in the Fourth 5-Year Plan period, it was 3.76 yuan and from 1976 to 1978, it was 3.2 yuan. In other words, in the past few years, the investment coefficient has increased by 100 percent over the

First 5-Year Plan period. This means double the investment is needed to achieve the same amount of increase in the national income. The problem was that investments were irrationally used. Not only was the cost for many construction projects high, but the projects could not be brought into full play after investment, and so the recovery of investment became longer and longer. The investigation by the first ministry of machine building shows that in the First 5-Year Plan period, the investment in large and medium-sized projects could be recovered within 3 and 1/2 years after the projects were completed and put into operation; the investment in 10 projects out of the 15 projects put into production in the Third 5-Year Plan period was recovered within 7 and 1/2 years, but the investment in the remaining 5 projects has still not been recovered yet; of the projects completed after 1970, the investment had not been recovered on a single one by 1979. Viewed from the recovery of investment of the whole country, the recovery period is about 12 years. If the depreciation charges are included in the calculation, the recovery period is more or less 10 years. The recovery period in Japan is 3 years, the recovery period in the United States is 4 years and the recovery period in the Soviet Union is 5 years.

Summing up the above, we know that the crucial reason for the drop in economic returns from investment in capital construction lies in the excessive length of the construction period. The longer the period, the larger the expenses for investment. The lower the efficiency and the larger the expenses, the higher the cost and the worse the results. This harmful situation has affected the whole national economy. Therefore, with regard to capital construction as a whole, energetically reducing the construction period is an important method for improving capital construction and promoting economic returns from investment. To put it more correctly, it is a key link or a breakthrough point. Under the circumstances that a large increase in the investment in capital construction cannot be expected in the near future, the significance and role of shortening the construction period are particularly important. For instance, if the construction period of a power plant with a 125,000-kilowatt generating capacity is shortened so that the power plant can generate electricity 1 day ahead of schedule, an increase of 3 million units of electricity can be expected each day. We should firmly grasp the link of the construction period, improve the work in various aspects in capital construction and promote the economic returns from investment.

There are many reasons why the construction period takes so long. The main reasons are as follows: The scale of construction is too large; there are too many construction projects; investments are not concentrated; materials are insufficient and there is no coordination between internal and external projects. Therefore, to effectively shorten the construction period, it is necessary to: (1) Fix and control the scale of construction being carried out and enable investments to suit the capability of material supply; (2) Conscientiously do a good job in feasibility studies and scientific reasoning, do our best to prevent mistakes in investment policymaking (we must carry out more feasibility studies and scientific reasoning on the large and medium-sized projects under construction or on the postponed large and medium-sized projects under construction or on the postponed large and medium-sized projects which have been restored to construction, if we have not done so before and establish and implement the responsibility system; (3) Intensify the organizational and management work in construction, and the construction units must sign economic contracts with the designing units, the building units, the material supplying units and the units in charge to guarantee the quality of construction and the continuity of the progress of construction work and to guarantee that construction is completed as scheduled and reaches the standards set by the government for checking and accepting completed projects. In the present readjustment period, under the condition that the scale of construction being carried out is too large, the annual investments are limited and the materials are short, we should arrange our construction projects in order of importance and urgency. Once construction of a project starts, it must be carried through to the end, and only after a group of projects are completed, can construction start on another group. We should bear in mind historical experience and not divide the funds and materials up among every project like "sprinkling pepper on noodles." This method cannot be used any more because it disregards construction periods and results. We should know that our socialist system has provided a broad road for shortening construction periods, economizing on investments and promoting the economic returns from investment. We should change this great possibility into reality. This is what we should and can certainly do.

IV. We Must Value the Scientific Law in Capital Construction and Carry Out Our Plans According to Objective Law

If we want to carry out capital construction according to objective rules, we must first work out a long-term plan for capital construction according to scientific basis. It is inconceivable to carry out socialist construction without a scientific, stable and unified plan. In the First 5-Year Plan period, because our plans were stable and complete, we were able to get excellent economic returns from investment in large-scale capital construction. It looks as if there have been 5-year plans and 10-year tentative ideas since 1958, but the facts are as follows: Although sometimes we have plans, we do not implement them; sometimes we only have high indices, but no complete plans; sometimes we only propose empty ideas which are divorced from practice and which cannot be realized at all. In the past, we have carried out our construction by relying on the breakthrough points of the annual plans. The delay in assigning tasks, the changes in requirements and the blindness in issuing orders have caused great losses and waste to our construction.

We should pay attention to adopting economic means when we want to carry out capital construction according to economic rules. For many years, we have been used to carrying out capital construction by political means and by means of waging class struggle and political movements. We have even tried to carry out capital construction by solely issuing administrative orders regardless of the conditions of material resources, the sources of funds, the supply of materials and the conditions of technical strength. As a result, we have suffered many setbacks. Lenin pointed out: "It is a grave mistake to use the experience obtained in the period of political and military struggles to solve economic tasks." ("Collected Works of Lenin," "The Ninth All-Russia Congress of Soviets," Vol 33, p 138) We have a profound lesson in this respect. Lenin further pointed out: "If yesterday's experience and lessons have not made us understand the incorrectness of old methods, then today we certainly cannot learn how to use new methods to solve our own tasks." ("Collected Works of Lenin," "The Seventh Party Conference at Moscow," Vol 33, p 71) We should also sum up our experience and lessons in this way in respect of the management of capital construction. For instance, in the past we abruptly abolished the system of contracting for construction projects and abolished the side of the contractor and the side of the client but implemented the system of combined command posts. We also abolished the system of planned profits and contracting for projects and materials and changed it into the system of running expenses. As a result, the disadvantages outweighed the advantages.

The management of capital construction should be carried out in order of capital construction. In the First 5-Year Plan period, 156 large-sized construction projects were carried out in accordance with the procedure for capital construction, and the results were good. But subsequently, the principle of carrying out designing and construction while prospecting became popular among us. Our subjective desire was to accelerate the speed in construction, but because it was against objective law, it only resulted in "more haste, less speed," the construction being delayed and the progress of work being retarded. Therefore, it is high time that we carried out reform and rectification. On the basis of investigations and studies, we should revise the procedure for capital construction as early as possible and clearly clarify that all construction projects (especially large and medium-sized construction projects) must be carried out in accordance with the procedure for capital construction. Therefore, we must do a good job in the following three aspects: (1) Conscientiously carry out feasibility studies and overall reasoning; (2) Responsibility systems must be established and perfected in various links of capital construction; (3) Make and implement laws for capital construction and set up supervisory organizations and economic courts.

Reviewing the 30-odd years of capital construction, we know that we have both successful experiences and lessons to be drawn from our mistakes. These experiences and lessons are our valuable wealth. Fundamental changes have taken place in our present situation. The "resolution on certain questions in the history of the party since the founding of the PRC" adopted at the 6th plenary session of the 11th CCP Central Committee have scientifically summed up the positive and negative experience since the founding of the PRC and built a correct road for the modernization of socialist construction which is suited to China's national condition. We must conscientiously study the "resolution," bear in mind historical experience and lessons, adopt a scientific attitude of seeking truth from facts, energetically carry out construction according to the objective laws governing the economy and nature, carry out the principle of doing things according to our capability in capital construction, work hard to rationalize the investment structure, improve the management system and methods and promote the economic returns from investment to serve the realization of the "four modernizations."

CSO: 4006/328

Geology

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TITLE: "Gallium Distribution in Coal of Late Permian Coal Fields, Southwest China, and Its Geochemical Characteristics in Oxidation Zones of Coal Beds"

SOURCE: Beijing DIZHI LUNPING [GEOLOGICAL REVIEW] in Chinese Vol 28, No 1, 1982 pp 47-59, 46

TEXT OF ENGLISH ABSTRACT: In this paper a preliminary study is made on the distribution of gallium in coal and its geochemical behavior in oxidation zones of coal beds with reference to Late Permian coal fields in southwest China. The study area covers an area of over 100,000 sq km. Over 4,000 chemical data regarding the gallium content and over 2,400 pairs of data regarding the gallium and aluminum contents in coal have been obtained and cited.

1. The gallium content and the KGA ratios ($Ga \cdot 10^4/Al$) are highly variable in a large coal-bearing sedimentary basin, suggesting that in certain parts of a peat bog occur favorable geochemical environments in which relatively complete gallium-aluminum separation might have taken place. The differentiation of gallium from aluminum in a peat bog is determined mainly by their respective geochemical properties as well as by the pH values typical of the media in which they are deposited. It appears that the KGA values of coal are of significance in indicating geochemical environments.

[Continuation of DIZHI LUNPING Vol 28 No 1, 1982 pp 47-59, 46]

2. Three genetic types can be distinguished in relation to the distribution of gallium in coal. There are close genetic relations among these three types, so they are distributed spatially in conformity with a specific law. Correct recognition and application of the law are of great significance in predicting the distribution of gallium in coal. This makes it possible to evaluate the prospecting for gallium over a larger coal-bearing sedimentary extent with smaller amounts of work on the basis of the previous geological work and permits the sampling and assaying work to be devoted mainly to checking the prediction and outlining gallium-rich coal zones.

3. In the low-sulfur coal oxidation zone, gallium and aluminum are closely related, and the KGA values show little variation from the upper portion of the oxidation zone down to the primary non-oxidized portion of the coal bed. In the upper portion of the high-sulfur coal oxidation zone, due to the formation of sulfuric acid, the geochemical connection between gallium and aluminum is destroyed, most gallium is dissolved and carried away and the gallium content and the KGA values decrease dramatically, indicating that gallium has stronger chemical activity and higher migration ability than aluminum under conditions of strong acid media. In the lower portion of the high-sulfur oxidation zone, gallium sulfates are hydrolyzed and

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precipitated with an increase in the pH value of the media, thus giving rise to secondary enrichment of gallium. When the background value of gallium in coal is high, this kind of secondary enrichment makes it possible for the ore to reach the industrial value.

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TITLE: "The Formation of Carboniferous Gas Pools in East Sichuan"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 1, 1982 pp 23-28

TEXT OF ENGLISH ABSTRACT: Five gas fields have been located in east Sichuan since the discovery of Carboniferous gas pools there in October, 1977. It has been established from studies that they are formed of carbonate eluviums between two erosion surfaces, with a good combination of source-reservoir-cap rocks. Paleotectonics is believed to be the controlling factor at the time of deposition, mainly in the intertidal zone. Solution pores which afford reservoir space and intercrystalline openings which form channels for intercommunication are well developed in the dolomites. Reservoirs with effective porosity are presumed to be the best and the thickest around the center of the eluviums in the middle part of east Sichuan, and poorer in the northern and southern parts. Belated migration of oil and gas, apparent dissection of topography by fossil faults, absence of large-scale lateral migration of hydrocarbons and gas accumulation controlled mostly by local traps are the salient features. Structures that were formed relatively earlier in the western and northern parts are of three types: highly-inclined, lowly-inclined and hidden; most of them are gas prospects. They are mostly anticlinal, though fault traps,

[Continuation of SHIYOU XUEBAO No 1, 1982 pp 23-28]

stratigraphic overlaps and monanocks are not uncommon. Traps with good preservation deserve prior consideration, and in the opinion of the author, exploration efforts should be directed in the following order of priority: northwest of the Liangping-Tianjiang line and southeast of the line, no work south of Changshou-Fengdu for the present; anticlines should be tapped first.

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TITLE: "Differentiation of Flooded Formations in the Shengli Oil Field"

SOURCE: Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 1, 1982 pp 35-40

TEXT OF ENGLISH ABSTRACT: Four types of flooded formations have been noticed in the Shengli Oil Field on the introduction of water flooding, each with its own electric properties and different way of differentiation.

Based on the changes in the salinity of water, oil saturation and physical properties of reservoirs, six methods are proposed for differentiation. For formations flooded with fresh water, observation of the shifting of S.P. curve base line and application of induced potential may help discern whether the reservoir is partially or completely and uniformly flooded and to determine the thickness of the flooded parts. In the case of formations flooded by edge water, with medium and high salinity, a qualitative analysis of the correspondence between the S.P. curve and the resistivity curve may generally achieve satisfactory results. As for the formations flooded with recycled water and the flooding of formations with reverse rhythmic succession, movable fluids analysis and comparative study of lateral resistivity logs may give better differentiation.

[Continuation of SHIYOU XUEBAO No 1, 1982 pp 35-40]

Experiments in 34 new producers on 130 pay zones with these methods claim a credibility up to 90 percent.

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